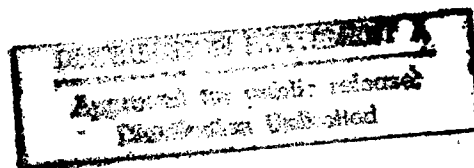


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China Report

ECONOMIC AFFAIRS

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19 July 1985

CHINA REPORT

ECONOMIC AFFAIRS

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JIANGSU GOVERNOR'S REPORT ON ECONOMY, REFORM

OW162245 Nanjing XINHUA RIBAO in Chinese 15 May 85 p 1

[Text] Report on the work of the Jiangsu Provincial People's Government--
Delivered at the Third Session of the Sixth Jiangsu Provincial People's
Congress on 8 May 1985 by Governor Gu Xiulian

Fellow Deputies:

Under the leadership of the party Central Committee, the State Council, and the Jiangsu Provincial CPC Committee, our province has persistently carried out the policy of reform, opening to the outside world, and invigorating the domestic economy, and has striven to fulfill the tasks formulated by the second session of the sixth provincial people's congress, thereby scoring remarkable achievements on all fronts, and bringing about great changes in all fields in 1984. Political stability and unity were further consolidated; the party's general objective and tasks took firmer root among the masses; economic development and various social undertakings made further advances; building of democracy and the legal system was strengthened; prevailing social practices continued to improve; and progress was made in building socialism, both materially and spiritually.

Since the national governors' meeting in February this year, we have conscientiously implemented the guidelines of the meeting and, after analyzing the situation, and achieving unity of understanding, have done tremendous work, and achieved good results, in promoting reform, invigorating the economy, intensifying the management of macroeconomic activities and correcting unhealthy tendencies.

Currently, we are further pushing the restructuring of the economy as a whole, with the focus on the urban economy, in order to consolidate, and develop, the excellent situation in our province, in accordance with the guidelines of the Third Session of the Sixth NPC. I now submit, for examination and approval by the present session, a report on the economic situation, structural reform, and opening to the outside world, and problems needing to be solved in current economic work.

I. The Economic Situation

Over the past year, we have focused on economic development and concentrated efforts on the two major tasks of reform and opening to the outside world. The agricultural contracted responsibility system, with remuneration linked to output, was further introduced in hilly and wooded areas, lakelands, and vegetable, and other sideline, production, while the experience of Yanqiao Township, Wuxi County in "one contract and three reforms" was universally practiced by village and township enterprises in reforming labor, wages, and cadre system in rural areas, thereby more effectively emancipating productive forces in rural areas. In accordance with arrangement of the party Central Committee and the State Council for urban reform, we started to dismantle the practice of "everyone eating from the same big pot" of the state and collective, substituted profit delivery for the taxation system, and established, and improved, various economic responsibility systems in state enterprises. We also introduced the "one contract and three reforms" among small state and collective enterprises. Governments at various levels simplified administration, and delegated more powers to lower levels, relaxed policies, and expanded enterprises' decisionmaking powers. A number of reform measures were also taken in construction, commerce, foreign trade, banking, and planning. All these reforms have instilled more vigor and vitality into the enterprises and cities. The areas selected for trying out comprehensive reforms also increased. After selecting Changzhou among small and medium-sized cities to try out comprehensive reform, we experimented with reform in Changshu and Haian counties and Tongshan City, by giving greater powers to the city and counties, thereby bringing into full play the diverse role of key cities and towns in economic management, and promoting common economic development of both urban and rural areas. Progress was also made in opening the province to the outside world. Accelerating the pace in the use of foreign capital, and importing advanced technology, we signed a total of 713 contracts utilizing foreign capital, using foreign exchange loans to import technology, and conducting economic and technical cooperation in various forms, and spent U.S.\$356 million in foreign exchange, according to the contracts. Nantong and Lianyungang cities did a great job, and scored initial achievements, in intensifying publicity of foreign economic relations, stepping up efforts in structural reform, speeding up technical transformation and construction of the infrastructure, and setting up organizations to train skilled personnel. The reform and opening to the outside world have brought about a sustained, steady, and balanced development of the province's economy, and enabled us to win the first victory in the campaign to score outstanding economic achievements in 7 successive years. As throughout the country, the economic situation in our province is good.

Its chief manifestations are as follows: Production developed steadily and national income increased. The total annual industrial and agricultural output value reached 97.95 billion yuan (not including industrial output value of enterprises below village level, and value of commercial handicrafts produced by peasant families), an increase of 18.7 percent compared with 1983.

This province overfulfilled the "Sixth 5-Year Plan" by 18.4 percent a year ahead of schedule. Total national income was estimated at 45.3 billion yuan, an increase of 19.5 percent over the previous year. Total state revenue reached 7,529 million yuan, an increase of 8.4 percent the previous year.

The building of key projects was strengthened, and technical transformation quickened. Total investment in fixed assets of state-owned units came to 3,212 million yuan, an increase of 28.6 percent over the previous year. National projects increased by 33.9 percent, and local projects by 21.4 percent. Total investment in the nine key projects, whose construction must be completed within the reasonable time limits set by the state, came to 1.08 billion yuan, overfulfilling the annual plan by 2 percent. The sum of 1.51 billion yuan was invested in renewing equipment and in other technical improvement projects in state-owned units last year, an increase of 5.2 percent compared with 1983. Of the over 4,300 construction projects, more than 2,400 were completed in 1984.

The market was brisk and prosperous; domestic and foreign trade experienced all-round growth. State commercial enterprises, and supply and marketing cooperatives, procured commodities with a total value of 27.45 billion yuan, an increase of 8.3 percent over 1983. Total retail sales on the domestic market in 1984 were 24.61 billion yuan, an increase of 18.6 percent over the previous year. The total value of commodities procured for foreign trade reached 4.38 billion yuan, an increase of 6 percent over the previous year. The total value of exports came to U.S.\$1,457 million, an increase of 7.6 percent over the previous year.

People's income increased, and the level of consumption was up. According to an investigation into the income of more than 1,500 peasant households, the average per capita net income was 448 yuan, an increase of 25.6 percent over the previous year. Average per capita living expenses were 360 yuan, an increase of 11.8 percent over the previous year. A sample survey of 730 households of workers and staff members in cities and towns showed an average annual per capita income of 625 yuan available for living expenses, an increase of 20.7 percent in real income compared with 1983.

The people on various fronts worked hard to fulfill their respective tasks, centering on the general goal and task of the party. They have promoted the development of work in society.

Science and technology were further integrated with economic construction, and new achievements in science and technology constantly emerged. Scientists and technical personnel in the province made 1,200 achievements in various projects, an increase of 64 percent over the previous year. The level of scientific and technological achievements was raised, and their rate of application increased. Cooperation and exchanges in the field of scientific and technological research were strengthened, and the technological market developed. More and more military technologies were transferred to civilian use.

Educational work developed quite fast. Full-time schools of higher learning had an enrolment of 34,000 students, an increase of 29.7 percent over the previous year. The total number of students at various schools of higher learning increased by 21 percent over the previous year. Relatively big successes were also registered in developing TV universities, correspondence universities, evening colleges, colleges for workers and staff members, and examination for students through self-study programs. The total number of students at various middle schools increased by 39,000 compared with 1983. Of these, students at secondary professional and technical schools increased by 24 percent and 26 percent respectively. Teaching facilities in rural middle and primary schools in most counties improved. Good progress was also made in preschool education, the popularization of primary school education, and the work of wiping out illiteracy.

Public security and judicial work was further strengthened, and social security and order were further improved.

New achievements were also made in developing cultural, physical culture and sports, public health, family planning, foreign affairs and tourism, news and publications, radio and television broadcast, city and rural construction, and environmental protection and other work.

In the past year, all our achievements were made through carrying out reform, opening to the outside world, and invigorating the domestic economy on the basis of readjustments made in the previous few years. They were made as a result of hard work by the broad masses of workers, peasants, and intellectuals throughout the province. They were also linked to the foundation built through past work, and the enthusiastic support of veteran comrades. The CPPCC committees at various levels, various democratic parties, and patriotic personages all made active contributions to promoting the four modernizations. The units of the Chinese PLA stationed in Jiangsu made new contributions to supporting local construction.

In reviewing the work we have done since the 3d Plenary Session of the 11th CPC Central Committee, we can find changes in the following four areas of Jiangsu Province's economy:

1. Development of commodity production and exchange has speeded up the professionalization and socialization of the rural economy. The enforcement in rural areas of the contracted responsibility system with remuneration linked to output has radically done away with the old system that restricted the development of agricultural productive force, and a commodity economic system is gradually being established. The province's total grain output was 67 billion jin in 1984, averaging over 1,000 jin per capita. Cash crops and a diversified economy also developed quite fast last year. Compared with 1978, the procurement volume of agricultural and sideline products increased 153.8 percent. The commodity rate of agricultural, sideline, and industrial products increased from 50 percent to about 70 percent. There were more than 289,000 specialized households and over 70,000 joint economic

establishments of various kinds in rural areas. The transfer of agricultural labor force to nonfarming business clearly speeded up. As a result, the agricultural structure has changed sharply. So far, more than one third of the province's labor force has engaged in forestry, animal husbandry, sideline production, fishery, industry, commerce, construction, transportation, service trade, and other businesses. The total industrial output value of township and town enterprises reached 22.55 billion yuan, (not including the output value of industries run by villages and units under village level) and has begun to surpass total agricultural output value. In addition, various kinds of systems are being set up to provide service to the agriculture sector before, during, and after farming. Following the principle of "actively raise the level of development of southern Jiangsu and speed up development of northern Jiangsu," the provincial government and governments and departments at all levels have conducted many investigations and studies, drawn up development plans, formulated policies, and made financial arrangements. Economic development in rural areas has not only proved increasing quantities of raw materials to industry, but has also expanded markets and given impetus to economic development.

2. The institution of multiform economy and promotion of a diversified economy have facilitated various aspects of economic development. With the insistence that state economy should play a leading role in all economic activities, we have made positive efforts to develop the collective economy, and we have paid attention to developing the individual economy. The output value of enterprises of public ownership accounted for 53.5 percent of the total industrial output value, collective enterprises accounted for 44.2 percent, and individual-run enterprises accounted for 0.23 percent.

The system that all provincial-level departments do not directly take charge of enterprises under normal circumstances has aroused the enthusiasm of cities, counties, townships, and villages in developing the economy. Of the total industrial and agricultural output value, the city-level economy accounted for 36.4 percent, the country-level economy accounted for 19.2 percent, the township-level economy accounted for 14.3 percent, and the village-level economy accounted for 30.1 percent. In addition, more circulation channels have been opened, and trade centers which have been built in various localities are being perfected and have begun to play an active role in economic activities. Allowed to do business freely are 886 small state-run retail commercial enterprises in the province, accounting for 57 percent of small commercial enterprises in the province. All this shows that a diversified economic system is taking shape, and the economy of the province has begun to prosper and boom.

3. Strengthening the ties among enterprises and regions has broadly promoted economic and technical exchanges. In view of the fact that Jiangsu lacks energy resources and raw and other materials, we have actively developed economic ties within and without the province. We have not only maintained close economic ties with the adjacent Shanghai Municipality and Zhejiang Province, but also established coordinated relations in terms of funds, goods

and materials, technology and qualified personnel with more than 20 provinces and regions, including Guangxi, Xinjiang, Shanxi, Anhui, Jiangxi, Gansu and Ningxia. Last year the goods and materials exchanged in coordination amounted to about 1.5 billion yuan. The ties between cities and the countryside in Jiangsu have also greatly developed. The coordinated relations between economically developed areas have become still closer. The economic and technical exchange between southern Jiangsu and northern Jiangsu has been developed extensively, and the integration of production with management, scientific research and information has become closer. Since the new system of putting counties under the jurisdiction of cities was adopted, the role of cities as political, economic and cultural centers has been brought into full play, and the construction of small cities and towns has been further strengthened. As a result, urban and rural economies have developed in a coordinated way. At present, urban and rural economic associations with cities as centers, key enterprises as support, and famous brand and fine quality as the goals have mushroomed. More than 160 enterprise groups have been organized in Jiangsu. They have effectively improved the industrial structure and specialization, tapped the potential of our existing enterprises, and brought forth new productive capacity. Jiangsu's economic and technical coordination has undergone a process from spontaneous small-scale development with a plan to planned, large-scale development with good leadership. As a result, it has played an important role in Jiangsu's economic development.

4. The expansion of domestic and foreign trade has promoted the development of production toward the trade-industry-agriculture type. Jiangsu sells more than two-thirds of its industrial products and a certain amount of its farm and sideline products on markets outside the province and abroad. To satisfy the needs of economic development, we have actively expanded foreign trade while continuously expanding the domestic market. According to the needs of the market, we have readjusted industry and the structure of products in many localities. We have built bases for the production of marketable products that bring us good economic results. We have also started to strengthen the construction of cold storage, processing, and other basic facilities. More and more industrial enterprises are being converted from the production type to the development type, and more and more comrades engaging in economic work in urban and rural areas are paying great attention to using resources at home and abroad to develop domestic and international markets. They are also paying attention to studying methods for domestic construction and developing economic relations with foreign countries. While the trade-industry-agriculture economic structure is taking shape, Jiangsu's economy is changing and developing to a high level.

Fellow deputies, despite the excellent situation and our progress, Jiangsu's economic work also faces some questions which merit our great attention. During the fourth quarter of last year, bank loans increased too fast, with the increase rate higher than the national level; the consumption fund increased too fast, with the increase rate surpassing the increased rates of productivity and taxes; so much money was put into circulation that the total amount was higher than the target planned; and our fixed-asset investments were made on so large a scale that they were beyond our financial and material

capacity. In addition, we faced the interference of new unhealthy trends. As a result, there were shortages on the market. People were unhappy about the increase of some commodity prices. Some of these questions can hardly be prevented in the process of reform, while some questions occurred because of our mistakes in understanding and in work. We have not been able to catch up ideologically with the reform in the structure, keep sober-minded in the excellent situation, or work hard enough while making smooth developments. While facing new situations or new questions, we have not investigated or studied well enough. As a result, we failed to propose counter-measures in good time. We observed things late and took action slowly. In handling the relationship between speed and economic results we once over-emphasized quadrupling ahead of schedule and overly advocated 100 million-yuan townships. We have failed to grasp firmly the increase of economic results. Therefore, our economic results have failed to reach their proper standard. In handling the relationship between needs and potential for developing production, we overemphasized the development of processing industries and failed to take into full consideration our capabilities to supply energy, raw and semifinished materials, and transportation thus causing rather serious problems in that respect. In handling the relationship between production and construction and environmental protection, we concentrated our efforts on production and failed to give due attention to the ecology, thus aggravating pollution in some rivers. We must promptly draw lessons from the aforesaid problems and take effective measures to solve them.

Currently we must further achieve unity in understanding the situation and distinguish between the principal and secondary aspects. As both exist in varying degrees, neither should be overemphasized at the expense of the other. We should understand the situation as a whole in order to make correct policy decisions and further consolidate and develop the excellent situation. We must stress the importance of unity in understanding the speed of economic development in our efforts to accomplish the socialist modernization program. The gigantic goal set by the 12th CPC National Congress to quadruple, on the premise of raising economic efficiency, the gross annual industrial and agricultural output value is correct. It has already given to us a strong impetus. However, we should not single-mindedly pursue impractical targets and vie with each other for higher growth rates, an unhealthy tendency which we should strive to prevent. The province's industrial output value in the first quarter of this year increased by more than 30 percent over the same period last year. The growth rate exceeded our capabilities to withstand heavy strains, causing a shortage of energy, raw and semifinished materials, and funds. We must take realistic steps to set the growth rate at an appropriate level and, at the same time, control the scale of capital construction and achieve an overall balance in financial revenues, credit and loans, material supply, and foreign exchange in order to create a flexible economic environment with strength for future advances, maintain the sustained, stable, and balanced development of the economy, and ensure the smooth progress of reform. Of course, it is also necessary to clearly assess the situation case by case and refrain from suddenly stopping all projects at once. In brief, we must further implement the guidelines of national meeting of governors, adhere to the principle of achieving realistic and steady advances in economic work, enhance the sense of viewing the situation

as a whole, overcome selfish departmentalism, correctly handle the relationships between the whole and part of the situation, long-range and immediate interests, and between needs and capabilities, cherish the present excellent situation, and strive to maintain the impetus in order to ensure the economy developing along a healthy path.

II. Structural Reform and Opening to the Outside World

Nineteen eight-five is the first year of implementing the "Decision of the CPC Central Committee on Reform of the Economic Structure." A better job in our reform this year is of great significance in consolidating and developing the current excellent situation and ensuring the smooth progress of the reform as a whole and the sustained, steady, and balanced development of the economy. The principles put forth by Premier Zhao at the Third Session of the Sixth NPC for guiding the current reforms are: Be steadfast, be prudent in fighting the first battle, and be sure to win. We should be steadfast in regard to the goal and orientation of the reform and be prudent so far as the steps and measures for reform are concerned in order to ensure the victory in the first battle of reform. In line with these guiding principles, our reforms must proceed under the unified arrangements of the central authorities and take full account of the capabilities of the state and society to withstand heavy strains, possible reactions in macro-economic activities, and favorable factors for promoting the development of productive forces in order to do a still better job in reform this year.

1. The focus of reform of the economic structure in 1985 is to continue to revitalize the economy.

The rural areas must earnestly implement the guidelines of the CPC Central Committee's Document No 1 issued this year, further reform the rural economic management system, continue to expand market regulation under the guidance of state plans, and fully utilize the law of value to revitalize the economy in an all-round way. It is necessary to continue to improve the system of contracted responsibility based on households with remuneration linked to output and, in accordance with the principles of voluntary participation and mutual benefit, develop multifarm cooperation and joint operation in the fields of processing, marketing, and transportation, in order to perfect the rural cooperative economy step by step. We must reform the system of unified and assigned procurement of agricultural products so that agricultural production will meet market demands, and must promote rationalization in the rural production structure. We must readjust the internal structure of crop farming and appropriately raise the proportion of economic crops. We must readjust the internal structure of agricultural production and raise the proportion of forestry, animal husbandry, sideline production, and fishery; and must also readjust the rural production structure and raise the proportion of industry, commerce, construction, transportation, and service trades so that the rural economy can develop in a more coordinated way.

Through reform, we must fully bring into play the functions of cities and promote the development of a socialized and planned commodity economy so

that cities will be turned into open and socialized economic centers with multiple functions. To this end, we must widely open our doors to the outside world, promote circulation, and develop economic relations among enterprises and regions.

In carrying out urban reforms, we must continue to grasp the central link of enhancing the vitality of enterprises. We must enhance the vitality of large and medium-sized enterprises while at the same time revitalizing small enterprises. Large and medium-sized enterprises occupy a decisive position in the entire national economy. The situation in our province is as follows: Although large and medium-sized enterprises constitute less than 1 percent of the total number of enterprises, their fixed assets make up 41.5 percent; output value, 27.3 percent; and taxes and profits delivered to the state, 56.1 percent of the total. These enterprises are the major bearers of the state financial task and the dominant force for developing social productive forces and for economic and technological progress. Proper reform of these enterprises will be of great significance for the province's economic development. Currently, however, the development of the majority of large and medium-sized enterprises lags behind that of small enterprises, while the development of publicly owned enterprises lags behind that of collectively owned enterprises. This can be attributed to lack of vitality of the large and medium-sized enterprises.

To enhance the vitality of large and medium-sized enterprises, it is necessary to fully implement the various stipulations set by the state regarding the expansion of decisionmaking powers of enterprises. Enterprises must be turned into genuine independent economic entities and socialist commodity producers and operators which assume independent operations and responsibility for their own profits and losses. Enterprises must acquire the capability of self-transformation and self-development. Regarding those large enterprises which boast a high level of operations and management and have made great contributions but retained little profit, it is necessary to gradually lower the rate of regulation tax in accordance with state provisions and appropriately reduce mandatory planning tasks. Large and medium-sized enterprises must be allowed to run one major trade with diversified operations. They must also be allowed to actively develop comprehensive utilization, and to develop multiform economic associations and cooperations which transcend trades and regions, including development of tertiary industry. At the same time, some enterprises should be granted the right of carrying out overseas operations and other rights.

To enhance the vitality of large and medium-sized enterprises, in addition to the necessary external conditions, it is of particular importance to stress, and accelerate, their internal reform. The vitality of an enterprise comes from a motive force within the enterprise itself. A major policy for bolstering an enterprise's internal motive force is the implementation of a distribution system linking the enterprise's total wage payments with its economic results. Last year, there were 218 enterprises in our province implementing this system on a trial basis. The result was

relatively good. Their output increased 22 percent; and their profits and taxes paid to the state increased 25 percent. Both were higher than the provincial average. The vitality of an enterprise comes from its ability to make sound decisions. Reforming an enterprise's internal leadership system, implementing the plant director responsibility system, and employing a large number of talented decisionmaking people who have both professional knowledge and management ability, and are good at making sound decisions--these are keys to an enterprise's development. Based on last year's experience in implementing the plant director responsibility system in 360 enterprises on a trial basis, this year, the province will further expand the scope of this pilot project, and continually perfect this system to enhance the plant director's sense of responsibility to the state. At the same time, various forms of economic responsibility system will be implemented to strengthen the enterprises' own management. The vitality of an enterprise also comes from its competitiveness. Large and medium-sized enterprises must tap their internal potential, and make full use of their strong points in professional personnel, technology, and equipment to cut costs and raise the quality of their products, thereby winning credit for their products on the market. After the expansion of the scope of guidance planning and the impact of market forces, the enterprises must learn to make use of the law of value to enhance their competitiveness. The vitality of an enterprise also comes from its pioneering ability. Not only must an enterprise be good at production and management, but also at opening up new horizons, by closely linking production with scientific research, and continually pioneering new technology, products and markets, to improve its ability to cope with contingencies.

Currently, there are certain difficulties in revitalizing large and medium-sized enterprises. Following the emergence of a series of reform measures, the price of some raw and processed materials, and the interest rates of bank loans have gone up. This has subjected an enterprise's endurance and operability to a severe test. But, we have also been provided with certain favorable conditions, both external and internal, for revitalizing large and medium-sized enterprises. We must have confidence, and strive to fulfill this task well.

2. The emphasis on this year's Reform of the Economic Structure Is To Take a giant step to reforming the Wage and Price Systems.

The main objectives in the reform of wages are overhauling the current unsound wage system, gradually eliminating the age-old malpractice of egalitarianism in wage distribution, and initiating a new wage system, better reflecting the principle of distribution according to work. In publicly-owned enterprises, when ample preparations have been made, a floating wage system, linking an enterprise's total wage payments with its economic results, will be systematically implemented. Under this system, the wages and bonuses of staff members, workers, and management personnel of an enterprise are linked to the enterprise's economic results, and with the size of their contribution to the enterprise. Those units, under a pilot project since last

year, will continue to experiment with the system this year, in accordance with the State Council's requirement of linking an enterprise's total wage payments, with the profits and taxes turned over to higher authority. For those enterprises, where conditions already exist, the system will be systematically implemented in them, after ample preparations have been made, and when approval for implementation has been granted to these enterprises. As for those units where conditions currently do not exist, the present system will still be in force, but is subject to gradual changes. In the state organizations and administrative units, a system linking the wages of staff members and workers with their jobs, responsibilities and accomplishments will mainly be implemented. Regarding this reform, provincial departments concerned are stepping up preparations, in accordance with the State Council's unified planning. After reform, the wage system and work concerning wages will be gradually launched on a new orbit. From now on, the wages of staff members and workers will steadily increase, following the development of production and increases in the national income. This is a major step forward in implementing the socialist principle of distribution according to work. Because of limitations of the state's financial capability, we cannot expect to raise our wages to a very high level overnight. We must take the overall situation into consideration, and consciously abide by the various regulations concerning wage reform. At the same time, we must do good propaganda work and explain our financial resources to the masses. Cadres at all levels must put strict demands on themselves, and persistently act according to appropriate policies.

The reform of the pricing system is vital to the success of the entire economic structure. This reform has become the key to encouraging initiative in all fields, straightening out major economic relations, and effecting a virtuous circle of economic growth. The policy of this year's price reform is to combine relaxed control with readjustment and to aim at progress in measured steps. The emphasis is on rationally readjusting the rural purchase and marketing prices of grains, relaxing control of the purchase price of hogs and the marketing price of pork, and appropriately raising charges of short-distance railway transport.

Replacing state monopoly on grain purchases with purchases according to contract and changing the irrational situation in which rural grain marketing prices are lower than the purchase price are aimed at effecting a readjustment in the rural production structure and further enlivening the rural economy. The price of grain sold to the state according to contract is set on a proportional basis, and grain over and above the contract may be sold or purchased through all channels available with prices fluctuating according to market demand. If the market price is too low and the peasant wants to sell the grain to the state, the state will purchase it without limit at the original purchase price as to protect the peasant's enthusiasm for grain production. The price of grain supplied by the state to rural areas will be the same as the purchase price. All in all, this policy is advantageous to grain production in our province, especially to the existing commodity grain producing areas, which will benefit from the price readjustment because of their higher base purchase quotas. However, the income of new commodity grain producing areas may decrease somewhat. With the rural purchase

and marketing prices readjusted to the same level, some people's expenditures may increase somewhat. Efforts should be made to carry out the readjustment of the rural production structure and the product composition well, do a good job in converting grain into meat, expand production, improve economic results, and help peasants increase their income.

Abolishing the assigned purchase of hogs, relaxing control on pork prices, and changing the practice of monopoly and fixed prices are aimed at converting grain into meat and promoting hog production so as to meet the requirements of increased living standards. Our province already relaxed control on the purchase price of hogs on 1 April and the situation is basically good. The peasants' enthusiasm for raising hogs has been mobilized and the market has become brisker in the countryside. State-run food companies should sign purchase contracts with hog farms or hog raisers, support them with grain supplied by the state to our province at parity prices, and actively participate in market regulation to stabilize meat prices. Local measures for supporting hog production already in force should be continued. It is necessary to bring into play the role of private slaughterhouses in enlivening the market and serving the masses, improve the management of these slaughterhouses, and do a good job of tax collection, sanitation, and epidemic prevention. Following the abolition of fixed purchase prices of hogs and fixed marketing prices of pork, we will introduce, in a well-guided way, negotiated prices on the basis of market supply and demand. For the time being, we should continue to ration pork to urban residents at parity prices. They will be given appropriate allowances when control of pork prices is relaxed.

Appropriately raising charges of short-distance railway passenger and freight transport is aimed at increasing the use of highway and ships for short-distance transport and relieving the strain on railway transport. In addition, we should also properly widen the price differences among products of different quality and increase regional price differences. Higher prices should be allowed for brand products of good quality. We should leave basically unchanged the prices of those raw and semifinished materials, fuels, and other major means of production which are distributed according to state plans and strengthen management and guidance over such raw materials marketed by enterprises themselves according to specific regulations. We should properly readjust the price differences of coal of different variety and regional price differences. However, the price for daily use in cities will not be increased.

The emphasis of price reform is on changing production, communications, and transport structures and product composition. The vigorous but steady measures adopted for this purpose are conducive to establishing a rational pricing system, further encouraging initiative in all fields, straightening out major economic relations, and effecting a virtuous circle of economic growth. It should be pointed out that for a long time we have mistaken freezing prices for stabilizing prices. As a result, the prices of many commodities reflect neither their value nor supply-and-demand relations. This is detrimental to the development of a commodity economy. A well-planned and step-by-step readjustment, which involves raising prices of

some commodities and lowering those of others, conforms to objective economic law and the people's fundamental interests. This reform, which involves the entire economic planning system, the pricing system, and the purchase and marketing structure of farm and sideline products, is very complicated and requires tremendous efforts. We must strictly implement the State Council's unified plan and refrain from going our own way or from rushing headlong into mass action. We must make painstaking arrangements and provide guidance to minimize price fluctuations on the market and preserve the relative stability of overall price levels.

3. The Primary Condition for This Year's Reform of the Economic Structure Is the Continuation of the Simplification of Administration and the Delegation of Powers To Enable Government Organizations To Bring Into Play Their Functions of Managing the Economy.

Carrying out the reform according to the principles of separating government functions from enterprises, simplifying administration, and delegation powers is a requirement for enlivening enterprises and the entire national economy. Last year, the province, cities, and counties did a great deal of work in the simplification of administration and the delegation of powers. Some provincial departments have placed a number of their enterprises under the management of the cities and counties where they are located. They have also delegated some powers to manage planning, prices, labor, and wages to cities and counties; while cities and counties have delegated some powers to enterprises. It has been noticed that some powers, which should have been delegated, have not; while some other powers, although delegated, have not been implemented by the grassroots-level units and enterprises. Furthermore, the delegation of powers was made without relevant instructions; consequently, enterprises have not been properly enlivened. Leading organizations at and above the country level should further inspect the situation in the simplification of administration and the delegation of powers and should firmly grasp the implementation of the powers they explicitly decided to delegate to the grassroots-level units and enterprises. The grassroots-level units and enterprises should also carry out inspections to learn the facts about the exercise of powers; learn to correctly exercise their powers; and resolutely implement the separation of government functions from enterprises, the simplification of administration, and the delegation of powers, in accordance with the eight functions of government organizations in managing the economy as proposed by the "Decision" of the 3d Plenary Session of the 12th CPC Central Committee. In this respect, governments at all levels, primarily our provincial government and provincial departments at all levels, should have the determination to change the past situation in which they monopolized many affairs which they originally were not supposed to manage and failed to manage well the affairs which they were supposed to manage. We should further readjust the organizational structures of provincial-level organizations on the basis of investigation and study. The provincial, city, and country governments, as well as the economic departments, should correctly handle their relationships with their subordinate enterprises to increase the vigor of enterprises and grassroots-level units in carrying out self-management. Certainly, they should not delegate powers beyond the limits

of their own powers, and no units and individuals are permitted to simply do things in their own way. Leading organizations should change their past method of mainly depending on administrative measures to exercise direct command over and interference in enterprises. Instead, they should practically translate their functions into formulating development planning, strengthening policy guidance, performing organizational cooperation well, and carrying out inspection and supervision. They should make special efforts to serve the development of production, the grassroots-level units and enterprises, and the people. That means that they should solve the question of how to do their work after delegating their powers. Many companies of an administrative nature are currently retaining the self-management powers for the enterprises and are contending for rights and interests with the grassroots-level units. We should further clean up and consolidate such companies. At the same time, we should consolidate, reinforce, and enhance those companies of an enterprising nature, while creating conditions which allow those imperfect specialized companies to become economic entities. We may either change companies of an administrative nature into companies which provide services and are responsible bearing their own profits and losses, or we may abrogate them if they cannot be changed.

The reform of the scientific, technological, and educational structures is closely related to the reform of the economic structure. Carrying out these two reforms well is of strategic significance to modernization. We should conscientiously study the guidelines of the central authorities' documents concerned and give concrete opinions about their implementation in light of our province's actual situation, after summing up the experiences in carrying out experimental reforms. It is necessary to enable the majority of the research organizations, especially those research units closely related to technological development, to strengthen their vigor in adapting to the needs of economy through the reform of the scientific and technological structures; to enable the majority of the research personnel to voluntarily better adapt themselves to the needs of economy; and to promote the extensive application of scientific and technological achievements to production and rapidly translate them into productivity. In carrying out the reform of the educational structure, it is necessary to engage in educational undertakings through various channels and at various levels; to strengthen the basic education and teachers education; and to enhance ordinary education. With regard to higher education, it is necessary to change the management system under which the state and government departments monopolized the majority portion and exercised rigid unification; to expand the self-management powers of schools in running their educational work; and to enable schools of higher learning to possess the enthusiasm and ability to voluntarily adapt themselves to the needs of social and economic developments. Governments at all levels should further implement the party's policy toward intellectuals; show concern for their work and livelihood; and arouse their enthusiasm to promote the development of science, technology, and education, and to bring up various kinds of talented personnel for the four modernizations.

Fellow deputies, 1985 is an important year for carrying out the work of opening to the outside world. After Nantong and Lianyungang were designated coastal open cities, the State Council again, early this year, authorized Suzhou, Wuxi, and Changzhou cities, and the 12 counties under their jurisdiction, to become open economic areas. Currently, open cities and economic areas account for 17.9 percent of the province's total area, their population 21.2 percent, their industrial and agricultural output 42.8 percent, and their financial income 50.7 percent of the provincial total. They occupy an important place in the provincial economy, and play a significant role in its promotion. We must persistently, and continually, implement the open policy, bring into full play the role of the open cities and areas as a window on the outside world, work for the opening of the entire province, expand foreign trade, and accelerate the importing of foreign capital and advanced technology. We must now accomplish the following work in the open cities and areas:

First, expand exports and increase our capacity to earn foreign exchange. The open cities and economic areas should foster the guiding ideology of pushing forward the development of all undertakings, through the expansion of exports, and concentrate on increasing export and foreign exchange earnings. Only by increasing exports can we increase imports, and balance foreign trade. Continued efforts should be made to improve the quality of export products, export less raw materials and semi-finished products, and increase the export of finished products to earn more foreign exchange.

Second, make good use of foreign exchange and capital, and raise the level of imported technology. The open cities and economic areas should attract more capital from all channels, and develop joint ventures, cooperation, and compensation trade with foreign businessmen. We must make good use of the limited foreign exchange available to truly import urgently needed advanced technology, essential equipment, and fine breeds, speed up equipment renewal in traditional industries, and vigorously develop new industries. Earnest efforts should be made to digest, assimilate, improve, and transfer imported technology and equipment, and accelerate technical progress. At the same time, we should work hard to learn modern management methods.

Third, accelerate the pace of reform and raise the level of management and operations. The open cities and economic areas should set the pace in reform and do a good job in both single--project and overall reform. Overcome the present backward management methods, and serious waste of personnel, equipment, raw materials, energy, and capital. Popularize modern enterprise management systems and continually improve the quality of enterprises and workers. We must bring about a big change in guiding ideology, work methods, and the rhythm of life, to meet the demands of opening to the outside world at an early date.

Fourth readjust the economic structure, and enhance our ability to adapt to opening to the outside world. Open cities and economic areas should gradually shift the emphasis of their economic work to trade, industry, and agriculture, in that order. This requires a change in our ideology from the former order

of agriculture, industry, and trade. We must also readjust the production structure and products composition, in line with the needs of trade, industry, and agriculture. It is necessary to reform the system separating trade from industry and agriculture to link up the economic interests and operations of trade, industry, and agriculture. Efforts should be made to enliven trade, establish a service network by centering on commercial circulation, communications, and transportation, and make production, procurement, processing, storage, transportation, and marketing a coordinated process to meet the needs of the domestic and overseas market.

Fifth, pay close attention to the construction of basic facilities, and increase our appeal to foreign investors. Nantong and Lianyungang cities should actively implement the adopted plans. Economic development areas should proceed from the actual conditions, and adopt active, but steady, measures to effectively carry out construction. Suzhou, Wuxi, and Changzhou cities, and the Zhangjiakou area should combine "preparations, implementation, and commencement," and, primarily, do a good job in drafting plans. Open cities and economic areas should proceed from actual needs, develop construction projects in energy, communications, hotels, and scenic spots, in the order of importance and urgency, and first build urgently needed facilities.

We should integrate the prosperity of the open cities and open economic areas in the province with the economic development of the Suzhou-Wuxi-Changzhou, Nanjing-Zhenjiang-Yangzhou, Nantong-Yangzhou-Yancheng, Xuzhou-Huaiyin-Liancheng-Yancheng, and other economic areas which have already been formed. We should integrate the policy of opening to the outside world with the principle of "positively developing southern Jiangsu and speeding up the development of northern Jiangsu"; positively undertake internal and external cohesion of the economic areas; vigorously carry out cooperation with fraternal provinces, cities, and areas; extensively carry out lateral contacts in technology, talented personnel, supplies, and information in order to bring into full play each other's strong points and achieve common economic development.

III. Problems in the Current Economic Work That Must Be Solved

In order to consolidate and develop our province's excellent situation and to promote continuous, steady, and coordinated development of the national economy, we should persist in carrying out reform; solve old and new problems in our economic life; strengthen macroeconomic control and management; conscientiously correct new unhealthy tendencies; and fulfill still better the various tasks in this year's economic work while paying special attention to ensuring proper speed in developing production and marked enhancement of economic results. Specifically, we must solve the following problems:

1. We must attach importance to agricultural development. Currently, many new situations and problems have emerged in agricultural production; therefore we must strengthen our leadership over it. First, we must strengthen the concept of regarding agriculture as the foundation. Agriculture is a

component part of the entire national economy, and historical experiences have shown that in order to enable the entire economy to develop still better, we must have stable agriculture, the foundation. Currently, some areas, where economic development is relatively better, do not have adequate enthusiasm for undertaking arable land cultivation. This problem merits a lot of attention in the course of readjusting the production structure. We should strengthen education among the broad masses of cadres and people so that they will never relax agriculture at any time. Second, we must strengthen guidance in readjusting the rural production structure. During the readjustment of the production structure, we must adhere to the principle "never relax grain production, positively develop diversified economy" to maintain a steady increase in grain production. This year, because of reduced grain acreage and abnormal weather conditions, we should not be optimistic about the situation in grain production. We should make efforts to readjust the variety of products, raise per-unit output, and enhance quality in order to prevent sharp rises and falls in grain production. Third, we must do a good job in supporting agriculture and providing various services. The development of a rural commodity economy does not belong exclusively to agricultural departments but requires the concern and support of all trades and professions. The departments concerned should provide peasants with information in good time; do a good job in producing and supplying the means of production; help in exploring sales avenues; and perform various service work well. For those counties in northern Jiangsu where a relatively difficult economic situation still prevails, necessary support and help should be given on the basis of their own self-reliance to enable them to change their appearance as soon as possible. According to forecasts of the departments concerned, this year will probably see big floods; therefore, we must make preparations for combating floods and waterlogging well.

2. Raising economic results is of primary importance in industrial production. In promoting industrial production this year, we should concentrate on raising social and comprehensive economic results, with products the state and people need. In the first 3 months of this year, the industrial output value of local state enterprises rose by 19 percent, but production investment rose by 23 percent. Costs of comparable products rose, and the deficit of various enterprises increased. Therefore, we must pay attention to raising economic results.

First, we must vigorously develop production of consumer goods. In order to solve the problem of the increase in demand, and the excessive amount of currency in circulation since the last quarter of 1984, we must continue to implement the principle of "six priorities," namely those of energy and raw material supply, technical transformation, capital construction, bank loans, foreign exchange, and communications and transportation, increasing production of well-known brands of good quality, easily sold, and reasonably priced, consumer goods. Earlier, the provincial people's government had made arrangements for giving six priorities to producing those consumer goods. We must now further grasp the implementation of this principle.

Second, we must greatly raise the quality of products. In current industrial production, a problem worth noticing is that, owing to the large demand for many products, some enterprises and localities are still producing outmoded equipment and obsolescent products. As a result, the quality of products, including that of some well-known brands, has been somewhat lowered. Governments at various levels, and economic departments, must give them correct guidance, and adjust the situation through loans, taxes, and other economic means. Similarly, it is necessary to use administrative and legal methods to strengthen quality control. While developing village and town enterprises, we must try hard to raise their level of production. Cities must not transfer outmoded equipment and obsolescent products to village and town enterprises. On the other hand, village and town enterprises must not blindly produce outmoded equipment and obsolescent products.

Third, we should raise enterprises' absorption capability. The enterprises' increase in production costs, as a result of the adjustment of prices of various things related to production, should be absorbed by the enterprises, mainly through improved management, reduction in consumption, and increased labor productivity. In other words, we should tap the potential of various enterprises to absorb the increase of production costs, to make greater contributions to the state, and benefit staff members and workers.

In short, various economic departments and enterprises should analyze current changes in economic activity, discover the key to raising economic results, and adopt practical and effective measures to raise economic results to a desired level.

We should also pay attention to the integration of raising economic results with improving the environment and increasing the social benefit. While strengthening the work of eliminating old pollution, we should implement the policy of "three same times" in new building, expansion, and rebuilding projects, which may cause new pollution (namely, the work of eliminating environmental pollution should be done simultaneously with building the main project during the period of design, construction, and operation). Currently, in developing village and town enterprises, we should guard against the emergence of new, of shifting, pollution. We should effectively protect the ecology of agricultural production. In the work of promoting environmental protection, we should work in a practical way each year to solve practical problems.

3. It is imperative to conform to macroeconomic control. In view of currently emerging conditions and problems, the State Council has adopted, or is adopting, a number of measures to strengthen macroeconomic control, beginning with curbing consumption and investment. This is absolutely necessary. We must consciously comply with the state's macroeconomic control, making sure that, in minor aspects, we are as open and flexible as possible, and in major aspects we exercise control. In current macroeconomic control, first, we must strictly control the scope of investment in fixed assets, in particular, control of extra-budget investment and nonproductive construction projects. We must see to it that limited funds are used on approved

technical renovations. In principle, no more new construction projects will be started, and those already approved will be re-examined. Priority should be given to winding-up items of those projects which produce readily marketable goods and yield better economic results. Overlapping and blind construction projects must be forbidden. Second, consumption funds must be put under strict control, lest they increase too rapidly. Wages payment must be done strictly according to the state's regulations, and unauthorized issuance of wages, bonuses, and allowances must be rectified. Third, credit and loan funds must be put under tight control, so as not to exceed the planned quotas the state has assigned to our province. These quotas must never be exceeded. Banks should take good care of this matter, collect loan payments on time, and do a good job in assessing, and granting, loans. The finance, auditing, taxation, customs, price, statistics, and industry and commerce administration departments must all carefully carry out their duties, and earnestly implement the related regulations of the party Central Committee and the State Council, to insure the implementation of the various macro-economic control measures.

4. It is imperative to strengthen control over the market and prices. The more we invigorate our economy, the more necessary the strengthened control. Some time ago, a few enterprises, service institutions, and individuals raised prices at will, under the name of reform; or bought major means of production, or durable consumption goods, at regular prices and sold them higher; or illegally rigged prices of daily necessities and nonstaple foods in short supply; or passed off ordinary products as new, or changed brands, effecting disguised price hikes. Some evaded the state's transfer and purchase plans, and marketed their products by themselves at higher prices. A number of service trades also raised their fees. This has evoked the people's discontent. Should we not firmly correct this situation, the market prices would become chaotic, the social and economic order would be undermined, the interests of the state and the people would be damaged, and the smooth progress of economic restructure hindered. While invigorating the economy, we must energetically strengthen control and supervision of market prices, and firmly put an end to the evil tendency of unauthorized price hikes. Limits of authority of price administration at different levels must be strictly observed. Exceeding these limits to set prices is not allowed. State-run commercial departments should give full play to their role as the main channel by insuring adequate supply of necessary commodities for active market regulation and price stabilization. All commercial units must be held responsible to the market. They all have the obligation to insure supply to the market, and stabilize market prices. Departments in charge of commerce should grasp the whole situation, conduct research into market prices, and formulate corresponding measures to insure the basic stability of the market, and avoidance of drastic fluctuation.

5. It is imperative to improve import and export work. Due to fluctuation in the price of many export commodities at home and abroad, an outstanding problem has now emerged, where commodities are scrambled by exporters and domestic commercial units. The export plan for the first quarter was not satisfactorily fulfilled, and efforts have to be made to correct this situation. We must concentrate our strength on the export task, strive to

improve our product quality, deliver goods on time, stabilize export channels, and fulfill the foreign trade plan. We must improve the survey of the international market to grasp market information, through government units and companies stationed abroad. Regarding commodities in short supply we have to take care of both foreign and domestic trade. We should be tight on supplies for our province to support exports, satisfying export needs first. We must be associated, and unified, on exports, and strictly prohibit the offering of higher prices to scramble imports and slash export prices. In view of the limited foreign exchange ceiling, foreign exchange should chiefly be used on what helps increase exports and foreign exchange earnings, and on major technical renovations yielding results, and help increase efficiency and production capacity. We should import goods with a specific purpose, in a planned way, importing an item when the plan for importing it is well made. The past practice of pointlessly importing large numbers of items must be done away with. It is necessary to strictly control overlapped imports.

6. We must energetically develop tertiary industry. To accelerate its development will promote the commodity economy, and convenience the people's livelihood. According to statistics, the output value of tertiary industry in our province accounts for only 18 percent of our grassroots domestic product, and tertiary industry workers account for only 11.8 percent of the total in this province. Even in cities, tertiary industry workers account for only 28.04 percent of the total number of urban workers. This shows that our tertiary industry is still a very weak link, not commensurate with our economic and social development, and the improvement of the people's material and cultural life. With the development of material production, we must actively develop tertiary industry, increase its work force, and gradually rationalize the production structure. Tertiary industry may be departmentalized into circulation and service. Specifically speaking, it includes transport, posts and telecommunications, commerce, the catering trade, material supply, marketing and storage, housing management, public utilities management and resident service, public health, physical culture and social welfare, education, culture and art, scientific research and comprehensive technology, banking and insurance, state organs, and political party and mass organizations. Currently, we need to energetically develop transport, and the postal and telecommunications service. In our province, strained transport and backward postal and telecommunications services are obstructing our economic development, and our opening to the outside world. We should bring into play initiative from all quarters, take advantage of the superior features of our water transport, and gradually build a water-land transport network. We should stress development of postal and telecommunications services in open cities and economic development zones, strive to improve telecommunications facilities, increase telecommunications service stations, improve their service quality, and raise their technological level. We should make great efforts to develop commerce and service trades, and do a good job in offering storage, freezing, information, and consultancy services. A great deal of work has to be done to develop tertiary industry. We should raise the social status of tertiary industry workers in all respects, and show concern for their work and life. We should formulate

excellent plans, and ease policy restrictions. In order to accelerate development of tertiary industry, efforts must be made by the state, the collectives, and individuals simultaneously, and we should develop both the traditional and new trades, and offer productive and livelihood services, in both urban and rural areas.

Fellow deputies, we must attach importance to the building of socialist spiritual civilization, while stepping up the building of socialist material civilization. Socialist economic development and reform, and the policy of opening to the outside world have set new, and higher, demands for building spiritual civilization. Governments at all levels should seriously study the question of how to step up the building of spiritual civilization under new circumstances. New, unhealthy practices emerged in the preceding period. They included indiscriminate issuance of bonuses, both in cash and kind, and allowances; wantonly raising prices to grab exorbitant profits; using power to buy and resell materials in short supply; using public funds to entertain guests and give gifts; and giving, or taking, bribes. The new unhealthy practices not only mar the reputation of reform and obstruct its proceeding smoothly. They also undermine the building of socialist material and spiritual civilizations. We must resolutely implement the provisions issued by the party Central Committee and the State Council on stopping the new, unhealthy practices, improve auditing work, strictly enforce political, financial and economic discipline and the law, resolutely stop unhealthy practice, and ensure that all orders are obeyed, and all banned practices cease. At the same time, we should uphold the four cardinal principles, strengthen education in lofty ideals, morality, culture, discipline, and the legal system, and advocate the social ethics of loving the motherland, the people, work, science, and socialism. We should carry forward the fine traditions of building up the country through thrift and hard work, and improve our management of socialist cultural life. We should make people conscientiously resist corruption by capitalist, feudalism, and other decadent ideologies, and become persons with lofty ideals, moral integrity, education, and a sense of discipline. We should create a stable, united, highly disciplined, and good social environment, and ensure the smooth proceeding of socialist construction.

Follow deputies:

This year, our province has very arduous tasks in developing production, improving economic efficiency, carrying out structural reform, opening to the outside world, effecting macroeconomic management, invigorating the economy, and stepping up the building of a socialist spiritual civilization. We must persistently seek truth from facts, and consider reality in everything. We should constantly go to the grassroots level, do a good job in investigation and study, know new situations, sum up new experiences, and solve new problems. We should firmly shift the stress of our work to serving grassroots units and enterprises, do all work soundly, in a still better way, be modest and prudent, guard against arrogance and rashness, fulfill

this year's economic plan comprehensively, and strive to create a new situation in our economic work. We are convinced that, as long as the people in our province are united as one, make concerted efforts, and courageously advance on the objective set by the 12th CPC National Congress, they can surely further consolidate, and enhance, our excellent economic situation, with a second victory in the campaign to score outstanding economic achievements over 7 successive years, and make new contributions to Jiangsu's economic development, and to China's socialist modernization.

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PROVINCIAL AFFAIRS

HEBEI: XING CHONGZHI'S REPORT AT CPC CONGRESS

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[A report of Xing Chongzhi, secretary of the Hebei Provincial CPC Committee, entitled, "Be United and Fight for the Construction of Hebei's Socialist Modernization" delivered at the Third Hebei Provincial CPC Congress on 24 May 1985]

[Text] Comrades:

The Second Hebei Provincial CPC Congress was held in May 1971. The leading body of the provincial CPC Committee was not partially readjusted until June 1982. Relevant documents of the central authority have made conclusions on the work, problems, experiences and lessons within these 11 years. This congress will sum up the work done since June 1982 and discuss and define pioneering tasks for the future. Now, I, on behalf of the provincial CPC Committee, will deliver a report to the congress for discussions.

1. Review of the work in the past 3 years and new tasks ahead of us.

After partially readjusting the core of the leadership of the provincial CPC Committee in June 1982 and, in particular, after organizing the new leading body of the provincial CPC Committee in March 1983, an important turn has been taken in the whole work and the situation has basically changed thanks to the concerted efforts of the party organizations at all levels, all party members, and the people of the whole province.

A political situation in which unity and stability go hand in hand emerged in the province and the province really turned the focus of work onto the path of concentrating on the economic construction. The 10-year internal disorder seriously damaged the unity between our province's party organizations and the province failed to conscientiously implement the central authority's instructions in the period after the 3d Plenum of the 11th CPC Central Committee. So some cadres and, in particular, some leading organs were in the state of unstability before the partial readjustment of the leading body of the provincial CPC Committee. This affected the smooth shift in the stress of the party's work. In accordance with the guidelines of the instructions of the central authority and in order to go with the needs of the broad masses of the people in and outside the party, the provincial CPC

Committee. This affected the smooth shift in the stress of the party's work. In accordance with the guidelines of the instructions of the central authority and in order to go with the needs of the broad masses of the people in and outside the party, the provincial CPC Committee paid prime attention to the most important issues on promoting a united and stable situation and really shifting the focus of work. Leading cadres at all levels are encouraged to conscientiously attend to unite with the great majority of the cadres and people, to unite with the great majority but not to engage in cliquism. Considering the discussions on ideological differences, we should take the central authority's principles and policies as a criterion for judging truth from falsehood and adopt a method of emphatically summing up our own experiences and lessons on the premise of bringing advantages to the current work. Leaders at the provincial, prefectural, and county levels are urged to have faith in and support one another. We should resolutely resist and strictly handle those who violate the central authority's guidelines, party discipline, and state law. In line with the demands of the provincial CPC Committee, the CPC committees at all levels should thoroughly conduct the unity between the broad masses of cadres; commend those who handle affairs in line with the guidelines of the third plenum, persist in the principles and are brave in facing difficulties; criticize and dismiss those who handle affairs not in line with the party's policies and advocate evil-doers and evil deeds; and expose and criticize those who persist in factionalism and the words and deeds in violation of unity. We should conscientiously eliminate the "three types of persons" hidden in the party and, especially, in leading bodies. At the same time, we should continue to handle the problems left down by the history and further implement the policies. By so doing we can gradually eliminate the ideological differences and misunderstanding of the ranks of cadres formed in the past, encourage healthy trends, shake evil practices, and stabilize the situation continuously.

While vigorously creating the situation of stability and unity, we have led the people to concentrate efforts to deal with the major problems cropping up in the program of building the four modernizations and persistently regarded whether or not the economic work has been done well and the people have become wealthy in the shortest time as an important yardstick in measuring the fact whether or not the party and government leadership at all levels have been suitable to their posts. The provincial people's government, the prefectural administrative offices, and the county people's governments have totally separated their party work from that of the government so that they can strengthen the function of government organs in managing the economy and the construction of the party's ideology, organizations, and work style in order to ensure the smooth progress of building the four modernizations. Meanwhile, the party committees at all levels have exerted all-out efforts to take charge of the situation as a whole and to exercise overall leadership over economic work. To encourage the broad masses of cadres to study the knowledge of economic theory and management and to pay attention to adopting the method of integrating theory with practice, we have stressed that efforts should be made to sum up both positive and negative experiences so as to learn from them. On the basis of the data accumulated in investigation and studies, the provincial CPC committee has successively adopted a

series of policies and put forward guiding suggestions to bring into play the local strong points in order to develop the diversified economy; develop middle- and small-sized enterprises in order to enable responsibility systems to achieve lateral and vertical development; vigorously develop the commodity economy in rural areas in order to help poor and mountainous areas change their outlook; master financial affairs in order to reinforce the work of tax revenues; hold mass discussions on the strategy of developing the economy, science, and technology and of promoting social development; divide the province into economic areas in order to conduct classified guidance; and develop the undertakings of science, education, and culture. The party committees, the people's governments, and the broad masses of cadres at all levels have scored marked achievements in studying and dealing with the new problems cropping up in economic and cultural construction by bearing in their minds the actual situation. Along with the shift of work emphasis, the province has made an important stride in doing away with the standstill situation in economic construction.

We have earnestly readjusted the leading bodies at all levels and vigorously grasped the consolidation and construction of the leading organs. During the period from the winter of 1982 to the autumn of 1983, we spent 1 year on conducting reforms among the units under the party and government organs at or above the county level and readjusting the leading bodies, resulting in a higher standard of the leading bodies to be filled with revolutionaries and younger staffers who have cultural and specialized knowledge. Meanwhile, by integrating the work with the task of consolidating enterprises, establishments, and units and of conducting reforms in the political system at grassroots levels in rural areas, we have also generally readjusted the leading bodies of the units at all levels on the economic and cultural fronts and of the basic organizations in rural areas. In conducting this work, the party committees at all levels have exerted all-out efforts to overcome the "leftist" influence, recruited a large number of middle-aged-and-young cadres into the leading bodies in line with the viewpoint of employing cadres in the new historical period, and have actively enhanced the construction of the third echelon. After entering the leading bodies, these younger cadres have rapidly mastered and have fully displayed their talents in their works. The broad masses of veteran cadres have made positive contribution to fostering cooperation between old cadres and the new and replacing old cadres with the new by actively recommending talented personnel and giving their leading posts to them.

At the same time, we have strengthened the construction of ideology and work style among the leading organs at all levels and in the cadres' rank. After issuing the call of "heightening our spirit in order to make Hebei Province prosperous," the provincial CPC Committee has gradually established the system of personal responsibility by starting its work from strictly enforcing the discipline and consolidating the "headquarters" of the leading organs and straightening out ideology and workstyle among cadres. The provincial CPC Committee has also somewhat improved its practice in writing documents and convening meetings and has delved into reality to carry out investigation and study, to focus its work on grassroots units, and to bring about good morale of serving the masses. To gradually modernize leadership, we have

established the system of information feedback in order to bring about marked improvement in the only source of information, the insensitive reflection of information, and the "interruption" of information spreading. We have also strengthened the construction of "brain trust" and established research institutes among the departments at all levels, resulting in the enhancement of scientific nature in leading policy decisions. At present, the leading organs and cadres' rank at all levels have greatly enhanced their combat power and obviously upgraded their work efficiency.

The vigorous development of reforms in various fields led to a new situation in various construction undertakings. Since the 12th CPC Congress, the provincial CPC committee and CPC committees at all levels have followed the guidelines of the congress, and regarded the reform and the building of Chinese-type socialism as the basic ideology for guiding various items of work. In particular, the province and various prefectures and cities carried out a series of reforms in 1984, centering on the work of opening to the outside, simplifying the administrative procedures, and delegating powers to lower levels. Following the comprehensive introduction of the system of contracted responsibilities on the household basis with remuneration linked to output, in rural areas we are, in line with the policy decisions of the CPC Central Committee, gradually expanding the scale of market regulation, promoting the readjustment of the industrial structure, and making the rural economy move towards specialization, large-scale commodity production, and modernization. At present, a large number of specialized households, economic associations, specialized villages, and specialized markets have emerged across the province, about one fourth of labor force has left from the farming work to engage in other industries, and town- and township-run enterprises have become a mainstay of the rural economy. In urban areas, we have emphatically substituted taxes for delivery of profits among state-run enterprises, reformed the structure of collective-run enterprises, and small and medium-sized enterprises, and also reformed the construction and circulation systems. After the promulgation of the "Decision on Reforming the Economic Structure" by the 3d Plenary Session of the 12th CPC Central Committee, in line with the guidelines of this decision, and on the basis of summing up experience, we have raised measures to invigorate large and medium-sized enterprises and promote the comprehensive reform of the urban economic structure. We have also made new progress in reform of the political and legal, scientific and technical, educational, cultural, public health, and sports work. The initial reform of the educational system of rural primary and middle schools has improved the conditions for running schools, raised the quality of the teacher ranks, improved the teachers' remuneration, and gradually improved the educational quality. In addition, running schools through various channels has enlivened the training of competent people. The provincial CPC committee's suggestions for reforming the ideological and educational work have strengthened the work on the ideological front. Further progress has been made in the "five-stress, four-beauty, and three-ardent love campaign," the "army-civilian joint activity," and the activity of "depending on one's own efforts to build civilized units."

The above-mentioned reforms have been carried out together with party rectification. The first-stage party rectification concluded, and the second-stage party rectification is under way. Through party rectification, the large number of party members have raised their consciousness in maintaining a high degree of political unanimity with the CPC Central Committee, have straightened out the professional guidance ideology, and have strengthened their sense of abiding by the organizational discipline. As a result, unhealthy trends have been corrected to some extent. Party rectification has promoted the reform. The further elimination of "leftist" and outmoded ideas, the summing up of both positive and negative experiences, and the practice of sending the people to other places for visit and study have enabled the large number of cadres to further emancipate their mind, be brave in carrying out reforms and making progress, and enhance their consciousness in "discussing major events, understanding the whole situation, and managing their own affairs well," thus vigorously promoting the development of various reforms.

The current political and economic situation of our province is very good. The provincial political unity and stability are more consolidated. The party style and social atmosphere have been improved remarkably; the people's mental outlook has changed profoundly; and their revolutionary enthusiasm in making contributions to vitalizing China and Hebei has run high. The entire economic structure reform focusing on the urban areas is now developing soundly and stably. The national economy embarked on the path of substained, steady, and coordinated development. Some of the targets set in the Sixth 5-year Plan had been fulfilled or overfulfilled 1 year ahead of schedule and we saw gradual improvement in the financial and economic situation. All undertakings, including education, science, technology, literature and arts, press and publication, radio and television, and public healty and sports, developed at varying degrees. Over the past 3 years, our province saw successive increases in industrial and agricultural production and in financial revenue. The economic results were better than that of the past few years. The total output value of society in 1984 reached 59.99 billion yuan (calculated in terms of the present prices), an increase of 40.4 percent over 1981, or an average annual increase of 12 percent. The total industrial and agricultural output value in 1984 reached 47.69 billion yuan (calculated in terms of the constant prices in 1980), an increase of 42 percent over 1981, or an average annual increase of 12.4 percent. The financial revenue rose from 3.08 billion yuan in 1981 to 3.91 billion yuan in 1984, an increase of 26.8 percent.

We saw a substained economic development after entering 1985. In the first quarter of this year, the province's industrial production increased by 21.9 percent and financial revenue, 7 percent over the corresponding period of 1984. Along with the development of production, the living standards of the urban and rural people improved remarkably. Such an excellent situation helped develop a bright future of economic prosperity and enable the people to become wealthy.

The changes made in the past 3 years proved that the series of principles and policies defined since the 3d Plenary Session of the 11th CPC Central Committee are absolutely correct, the party organizations in Hebei Province have glorious traditions and combat strength, the broad masses of cadres in Hebei Province are hardworking and promising, and the enthusiasm of the Hebei people in the four modernizations construction is high. We attributed such an excellent situation to the correct policies of the central authorities, the hard work of the masses inside and outside the party, and the strenuous efforts of the broad masses of cadres. We should treasure this excellent situation and bear in mind the precious experience which helped us to achieve the excellent situation. The party committees at all levels, and all party members should apply the following three experiences to our future work.

First, we should resolutely unite the line, principles, and policies of the CPC Central Committee with the ideology of the party members and cadres and realistically achieve ideology of the party members and cadres and realistically achieve ideological and political unity with the CPC Central Committee. This are the fundamental guarantees for creating a new situation in all spheres of work. To maintain great unity with the central authorities, we should adhere to the ideological line of proceeding from reality in doing everything, integrating theory with practice, seeking truth from facts, and testing and developing the truth in the course of practice. We should creatively implement the directives of the central authorities, study and discuss the existing problems in close connection with the local actual situations, and enable all spheres of work to advance along a correct path.

Second, we should firmly trust and rely on the majority of cadres and achieve great unity among the cadre ranks. This is the key to consolidating and developing a political situation of stability and unity. To unite with cadres, first of all, we must understand them correctly. The majority of cadres in our province are good or comparatively good. They have the strong desire to work in unison in creating a new situation. As long as our leaders at all levels adhere to the principle of "uniting as one and looking forward," and persist in eliminating the factious interferences, we can unite with the majority of cadres, promote a great unity among the people of various nationalities, and fulfill the general task for the new period with concerted efforts.

Third, we should resolutely regard the socialist modernization as the central task of our work, and make the reform run through the whole process of the four modernizations. In any time, all departments should give consideration to and submit themselves to the overall situation of the socialist modernization drive, and should serve the fulfillment of the party's general task and goal. The socialist modernization drive is an extensive and profound revolution. The entire party should enhance the spirit of blazing new trails, break with all outmoded and decayed ideas, and strive to reform the production relations and the bottlenecks hampering the development of productive forces in the superstructure. This is the only way for us to create a new situation.

Over the past 3 years, we have scored tremendous achievements, but there is no reason whatsoever to be self-satisfied with these achievements. We must notice that what we have done thus far has only laid a foundation for continuous advancement, and that we still have a long way to go, if compared with some other provinces, cities, and districts and with the demand of the CPC Central Committee and the people's expectations. The level of the provincial economic development is not high, our economic results are not good enough, and our cultural construction and, in particular, the scientific and technical education are very backward. The party still faces arduous tasks in strengthening the building of ideology, workstyle, and organizations. The work methods, workstyle, and professional capacity of leading cadres at all levels still fall much short of the demand of the new situation. We must be sober-minded, modest, and prudent in our work, guard against arrogance and rashness, carry forward our achievements, overcome our shortcomings, and strive to do our work in a still better manner.

The next 5 years are precisely the period to be covered by the Seventh 5-Year Plan. During this important period, we should strive to fulfill the following task in line with the general task and goal raised by the 12th CPC Congress: The people across the province should unite as one and work hard to comprehensively accomplish the economic structure reform and to accordingly reform the scientific, technical, and educational systems; should vigorously promote the building of socialist material and spiritual civilizations; should develop the socialist democracy, should conscientiously attend to party construction, should rapidly effect a fundamental turn for the better in financial and economic situation, social mood, and party style, and should strive to make the 1990 gross industrial and agricultural output value and the national income double, or more, the figures of 1980. This year, our focus should be placed on the four major events of reforming the economic structure, carrying out party rectification, readjusting the leading bodies, and formulating the Seventh 5-Year Plan, in an effort to make our province enter the ranks of advanced provinces, cities, and districts with mark of "three fundamental improvements."

2. Actively and Stably Carry Out Reforms, and Promote a Comprehensive Invigoration of Economy.

Actively promoting the comprehensive reform of economic structure, and promoting a sustained and coordinated development of the province's economy are our most important task. The strategic goal of the province's economic development is to quadruple the province's gross industrial and agricultural output value and to make the people live in a relatively better-off manner by the end of this century. There are still 15 years from now to the end of this century. In the first 5 years, we should continue to lay a good foundation for the vigorous economic development in the Sixth 5-Year Plan and formulate the Seventh 5-Year Plan well. During the period to be covered by the Seventh 5-Year Plan, on the basis of effecting a fundamental turn for the better in the financial and economic situations, we should strive to make the gross industrial and agricultural output value and the national income double that of 1980. That is, by 1990, the total provincial industrial

and agricultural output value should reach 80 billion yuan, the province's national income should increase to 48.5 billion yuan, and the per-capita income should reach 834 yuan.

The essential condition for realizing the abovementioned targets is to raise economic results and control the population growth. We should focus our economic work on raising economic results, resolutely prevent and overcome the trend of neglecting economic results such as blind pursuit of high standards, competition for high speed, high inputs, and low yields, and enable economic construction to realistically embark on the path of rapid speed, good economic results, and real benefits for the people. To this end, we should, first of all, formulate plans and organize production in line with market supplies and demands, and increase the number of products under the premise of improving product quality and increasing the product varieties. Second, we should reduce consumption, save funds, and strive to create more social wealth with less manpower as well as material and financial resources. And third, we should increase taxes, profits, and state financial revenue along with the growth of production and the expansion of financial resources. Meanwhile, we should firmly implement family planning which is a basic state policy, and gradually lower the provincial natural population growth rate so that the province's population will not exceed 620 million by the year of 2000.

Our fighting objective is grand and we have conditions for achieving it. Our province has rich natural resources, and its geographical position is good. It has good climate, various landforms, and fairly good conditions for comprehensively developing production. Moreover, through years of hard work, our province became to have a fairly good foundation for the economic and economic construction and has accumulated many experiences. The broad masses of people inside and outside the party are anxious for "achieving a quadruple increase in industrial and agricultural output value and becoming comparatively well-off," and they have full confidence in achieving this. Of course, we should also note that there are difficulties in achieving such objectives ahead of schedule. For example, the rural industrial structure is irrational; the production of consumer goods cannot meet the market demands; energy, especially electricity, water resources, and raw materials are in short supply; the development of post and telecommunications, communications, and transport is slow and the telecommunications and traffic facilities in the mountainous areas are very poor; and the development of the tertiary industry, especially the scientific, technological, and educational undertakings which serve production and help to improve the livelihood and the quality of the citizens, is rather backward and poor. We lack competent personnel. In face of such restrictive factors in the course of developing the provincial economy, we must give full play to our strong points and avoid shortcomings, concentrate our efforts on grasping such key links as agriculture, consumer goods industry, energy, raw materials, communications, telecommunications, science, technology, and education, give priority to supporting and developing such undertakings, and ensure that all production departments are developed in a coordinated manner.

With regard to this year's economic work, the provincial CPC committee and government have already formulated the 1985 work outlines which we must implement conscientiously. At present and in the future, we should resolutely grasp the following spheres of work well.

1) We should firmly carry out the reform of the economic structure in a step-by-step manner and strive to win a complete success. We will devote a period of 5 years to accomplishing the reform of the economic structure with a focus on the reform of the urban economy, and strive to achieve obvious results in 3 years. This year, we should continue to enliven the economy under the guidance of the principles of the central authorities--be steadfast, be prudent in fighting the first battle, and be sure to win--make big strides in reforming the price and wage systems, and do a good job in fighting the first battle in the overall reform.

Just as what Comrade Deng Xiaoping said that the ongoing reform of the economic structure is China's second revolution which is inevitable in the historical development. Its purpose is to establish a vital socialist economic structure with Chinese characteristics, to further emancipate the social productive forces, and to enable China to become prosperous and the people wealthy within a short period of time. Without this revolution, it will be impossible to achieve the four modernizations. Every party member and every cadre should have a strong sense of urgency and responsibility in conducting reforms. We should arm ourselves with the central authority's principles and policies concerning reforms, stand in the forefront of the historical trend of reforms, and unite the broad masses of the people to promote reforms in a step-by-step manner. The reform of the economic structure, an extremely complicated and great social project, requires us to undertake many explorations and constantly bring forth new ideas. We must proceed with caution and solve any problems in a timely manner. New unhealthy practices must be corrected conscientiously. While correcting new unhealthy practices, we should pay attention to affirming the main trend of reforms and protect the enthusiasm of cadres and the masses. We should differentiate between problems caused by lack of experience and working carelessly and the unhealthy practices of seeking private gains for individuals and small groups in the name of reform. Never should we regard shortcomings in reform work as unhealthy practices or attribute unhealthy practices to reforms. Unhealthy practices are not brought about by reforms. On the contrary, only through conducting reforms and eliminating the malpractices in systems can the unhealthy practices be effectively prevented. We must have a firm faith in reform and conduct the reforms well and strictly in accordance with the central authority's principles, policies, and plans in an effort to be sure to win the first battle, the second battle, and all battles.

In the course of reforms, we must attend to the key link of enlivening enterprises and simultaneously enhance control over the macroeconomy. The work of enlivening enterprises and that of enhancing control over the macroeconomy must be linked together and promoted mutually. Governments at all levels and departments concerned should further simplify administrative

procedures and delegate power to lower levels in line with the principle of separating government functions from business management, implement the regulations formulated by the central authority and the province on expanding the decisionmaking power of enterprises among grassroots units, attend to reforms in the planning and circulation fields, and create good external conditions for enlivening enterprises, especially large and medium-sized enterprises. Enterprises should use state-assigned decisionmaking power to fully tap internal potentials; handle the relations between the state, collectives, workers, and managers well; link the economic responsibility system with a focus on the contract with the improvement of economic results; and turn their stress of work from only concentrating on production to concentrating on production, operation, and pioneering management. The more we enliven enterprises, the more we should enhance the management of the macroeconomy. We should set up a set of new rules that suit the principle of opening to the outside and enlivening the domestic economy. So, we should adopt economic, administrative, and legal means for strictly controlling the unreasonable increases in consumption funds; control the scale of the credits and the investments in fixed assets; use foreign exchange well under the state united plan; reduce administrative expenses; organize the withdrawal of currency from circulation; and strictly stop the arbitrary price hikes. On the basis of developing production, we should persistently improve the people's livelihood. Never should we blindly advocate or pursue high consumption. We should continue to implement the principle of building up the country and handling affairs through thrift and hard work. Never should we practice extravagance and waste. There are not only guarantees for making successes in this year's price readjustment and wage reform, but also essential conditions for the coordinated development of the national economy.

2) We should enthusiastically readjust the rural production structure in order to develop the rural economy in steady and coordinated manners. We should grasp the historical opportunity of reaping bumper grain and cotton harvests and carefully guide and firmly grasp the rural production restructuring. We should never ignore grain production but ensure a steady increase in total grain production, produce various quality products, and simultaneously develop cash and forage crops. With regard to agriculture, we should vigorously develop livestock and poultry raising, the aquatic products industry, and the fruit industry. Based on this, we should vigorously develop such agricultural and sideline processing industries as the food and forage processing industries. Meanwhile, efforts should be made to actively develop the industries of escavation, energy resources, and building materials as well as the tertiary industry of communications and transportation, commerce, finance, and service. Through conducting readjustment, we should orient the rural economy gradually on the track in which an overall development of agriculture, forestry, animal husbandry, and fishery and a comprehensive management of agriculture, industry, commerce, and transportation have taken shape.

When readjusting production structure in rural areas, efforts should be made to conduct classified guidance in line with the agricultural production zones

and the developing strategy, to pay attention to local conditions, and to give priority to major products. The rural villages near to Tianjin and Beijing Municipalities and to various cities throughout the province should integrate their agricultural production with that of trade and industry in order to build themselves into economic development zones as soon as possible. Efforts should be made to accelerate the pace of developing the Taihang and Yanshan mountainous areas, the Bashang plateau, and the costal areas, which has an important significance to developing the province's economy in an overall way. We should first help these areas develop communications and energy resources in order to promote the production of mining industry, forestry, fruits, and aquatic products and should support them to do a good job in realistically conducting water and soil conservation. We should further implement the economic policies with relaxed restrictions in the most mountainous and poorest areas and should mobilize or organize various forces to help them develop production in order to enhance their own economic vitality. Localities throughout the province should earnestly do a good job in supporting poor areas in order to enable all poor areas, villages, and households to become wealthy at an early date.

Great attention should be paid to developing township- and town-run enterprises. We should uphold the principle of having households, economic associations, villages, townships, and towns; should make it possible for the state supply and marketing cooperatives to simultaneously operate enterprises; and should pay attention to conducting macroguidance over the establishment in order to prevent or reduce the waste and losses caused by the blind development. Efforts should be made to support township- and town-run enterprise to do a good job in conducting management, increasing variety of products, upgrading quality, saving consumption, and in enhancing competitive ability. While allowing or supporting peasants to make a success in their household business on a long-term basis, we should render continuous efforts to perfect the cooperative economy in various ways and at various levels so long as which is centered on the responsibility system related to the output and to establish various joint-venture enterprises by recruiting stock holders. Urban areas should actively support the development of the township- and town-run enterprises and give them more production items and have them share the production in order to spread their technology to rural areas. Efforts should be made to integrate the development of township- and town-run enterprises with the construction of small towns; to actively help peasants deal with their practical problems cropping up in building houses, settling down, and opening business at trade-fair towns; and to gradually build these small towns into rural economic cultural centers in line with their financial and material resources.

To promote the readjustment of production structure in rural areas, from 1985 on, we will conduct reforms in the system of fixed-quota purchase, gradually delegate the power of fixing farm product prices, allow peasants to engage in production in line with the demand of markets, and will enforce contracted purchase and the purchase conducted by markets themselves according to the different conditions. The departments concerned should help peasants study and master their ability in developing commodity production,

actively render information service for peasants, open more channels of commodity circulation, organize well the exchanges of commodities between urban and rural areas, and should do a good job in rendering service for the preparatory work, operation, and the aftermath of production in order to make a success in the important drive of conducting reforms.

3) We should vigorously make technical progress in order to provide full reserve strength for making the economy prosperous. Modern science and technology are the decisive factors of new social productive forces. In facing the challenge of the new world technical revolution, we should arouse ourselves to catch up with it and orient our economic work on the track that chiefly depends on technical progress. We should first do a good job in conducting technical renovations among existing enterprises and in arming the traditional industries throughout the province with the newest foreign and domestic technology and the most advanced managerial methods. During the "Seventh 5-Year Plan" period or prior to the "Eighth 5-Year Plan," we should strive to basically fulfill the task of conducting technical renovations among the existing backbone enterprises throughout the province in line with the targets of increasing new products and technology, upgrading product quality, and lowering consumption in order to enable them to reach the technical and equipment standards scored by the world advanced countries at the end of 1970's and the beginning of 1980's. To meet this demand, we should, in the guiding ideology, change the old idea of paying undue attention to building new projects to the neglect of renovating existing equipment, and should, during the period to be covered by the Seventh 5-Year Plan, shift the focus of investment to the technical transformation, rebuilding and expansion of the existing enterprises. To this end, we should strengthen the control and guidance over the overall situation, enhance the level of making overall policies and decisions, give prominence to key points of work, rapidly map out an overall planning with a range from the province to various prefectures and cities, rapidly formulate specific plans for various professions and trades, and implement these plans step by step. To speed up the technical transformation of various enterprises, we should not only import new technologies and equipment from abroad, but also pay attention to adopting domestic advanced technologies and equipment; not only apply the existing technical achievements, but also intensify the technical development of enterprises; and not only give full play to the role of professional and technical ranks, but also conduct the activities of encouraging the masses to raise rational suggestions and make technological innovation. Enterprises should successfully handle the relationship between accumulation and consumption, and increase the funds for technological transformation. Banks should strengthen the regulation and supervision over the credit work, and accelerate the capital turnover in order to create conditions for carrying out technological transformation. In the course of carrying out technological transformation, we should pay attention to the research and application of microcomputers, biological engineering, and other new technologies, and gradually build up our province's burgeoning industries.

To promote the progress of scientific and technological work, CPC committees and people's governments at all levels should conscientiously implement the

"CPC Central Committee's decision on reforming the scientific and technological system," attend to the reform of scientific and technological system in a step-by-step manner, successfully run technological markets, promote the development of technological achievements markets, invigorate the scientific research institutions, strengthen the lateral contacts between scientific and technological institutions and enterprises, and rapidly apply technological achievements to production.

4) We should even boldly introduce ourselves to the outside, and expand the economic and technological exchanges with foreign countries and other provinces. In his political report to the 12th CPC Congress, Comrade Hu Yaobang said: "Opening to the outside world, and expanding economic and technological exchanges with foreign countries on the basis of equality and mutual benefits are the firm and unswerving strategic principle of our country." We should further emancipate our mind, and make a still bigger stride in opening to the outside world. We should actively expand the volume of export, and raise the competitive capacity of our products on international markets. We should make proper preparations for the first stage of planning and importing, and be good at importing foreign capital and technologies through various channels and with various forms. Attention should be paid to digesting and drawing the imported technologies in order to strengthen our capacity for self-reliance. All cities should actively improve the environment for investment, and solve the problem of poor quality in communication, service, and reception facilities. As a port city opening to the outside world, Qinhuangdao City should combine the internal reform with the opening to the outside world, and make them effect each other in order to rapidly create necessary conditions for importing foreign capital, talented people, technologies, and advanced management methods. All provincial-level departments, and all prefectures, cities, and counties should actively support this work.

All other coastal prefectures, cities, and counties should also strive to gradually build themselves to forward areas to open to the outside world.

In the course of boldly opening to the outside, we should expand the opening to the areas inside the province. We should vigorously develop the lateral contacts between various localities in the province, between urban and rural areas, and between the province and other provinces and cities. We should conduct cooperation and integrations in many fields, develop various kinds of trade centers and technological markets, and promote the rational exchanges of funds, materials, and technologies. We should strengthen the leadership over the urban work, raise the attraction and leading capacities of central cities, and give full play to the role of central cities in leading various counties around them. People's governments at all levels should vigorously organize and promote the economic and technological cooperation, and all the state-, collective-, and individual-run economic entities should independently find out ways to organize economic and technological cooperation.

5) We should attach great importance to talented personnel and create good circumstances in which all personnel use their ability to the fullest and talented personnel emerge year after year. The key to whether or not we are successful in conducting reforms and building the four modernizations lies in talented personnel. Though the party organizations at all levels have paid greater attention than before to respecting talented personnel, there are still a number of comrades who turn a blind eye to this. We should continuously correct the prejudice against knowledge, mental work, and talented personnel, and should further foster the morale of respecting knowledge and talented personnel inside the party. The most current problem is the shortage of talented personnel and existing talented personnel who cannot fully play their role in work. Comparatively, the task of dealing with the latter problem is more urgent than that of the former. As Comrade Deng Xiaoping pointed it out, "Being good at discovering talented personnel, winning over talented personnel, and at employing talented personnel represents one of the important marks indicating whether or not leaders are mature." We must do away with all out-dated ideas running counter to the viewpoint of employing cadres in the new historical period and with all interference, and must open more avenues in training talented personnel in order to select or employ talented personnel by not sticking to one pattern. Efforts should be made to further implement the policy on intellectuals and to deal with the problems cropping up in their work and livelihood in a down-to-earth manner. While paying attention to bringing into play the role of intellectuals in the older generation, efforts should be made to boldly employ or promote the middle-aged-and-young intellectual cadres inside and outside the party who have greater specialized technical knowledge and a higher standard in organizational work and managerial affairs in order to enable them to play the backbone role of serving as a link between the past and future. Efforts should be made to resolutely correct the practice of being overstaffed and wasting the energy of talented personnel in order to accelerate the transfer of talented personnel. The organizational, personnel affairs, and scientific and technological departments at all levels should actively do a good job in organizing and assigning work to talented personnel. Efforts should also be made to actively study, reform, and improve the personnel systems of election, employment, appointment and dismissal, examination, and award, and punishment in order to ensure reasonable employment among talented personnel.

To train various qualified personnel on a large scale at all levels, we should do a good job in grasping educational work as in economic work and in mapping out implementation plans in line with the guiding ideology of the CPC Central Committee with regard to conducting reforms in educational systems in order to accelerate the pace of educational reforms. Efforts should be made to rely on social forces to enforce the 9-year compulsory educational system step by step; to readjust the structure of secondary education; to vigorously develop vocational and technical education; to actively reform the managerial systems and teaching work of higher education; and to enforce the measure of operating various schools at all levels in order to truly and rapidly train more and outstanding personnel. We also

welcome all talented personnel who are willing to work in the province. Through various introductions, we will accept foreign intellectual resources as much as possible in order to have them serve the province's program of economic and social development.

3. Push Forward the Program of Building Spiritual Civilization and Developing Social Democracy in Order To Ensure Rapid Progress in Building the Four Modernizations.

In line with the demand set forth by the party's general task, we should strengthen the building of socialist spiritual civilization while building socialist material civilization, and should perfect socialist political systems and build socialist democracy while conducting reforms among economic systems. These tasks are not only the fundamental target of our struggle, but also the dependable guarantee of building the four modernizations. Therefore, these task must be pushed forward and brook no ignorance.

1) We should strengthen ideological and political work and do a good job in conducting education on communist ideals and discipline. Comrade Mao Zedong said: "Political work is the lifeblood of all economic work." In the new historical period with economic construction as its central task, we must strengthen ideological and political work among the broad masses of party members and the people. We should conduct education on patriotism, collectivism, socialism, communism, and revolutionary traditions among party members, the people, and particularly among juveniles in order to train more and more people as laborers full of ideals, morality, and cultural knowledge, and who are well disciplined. We should especially put education on revolutionary ideals and discipline in an important place in order to overcome the trend of being indifferent in ideals and lax in discipline. Comrade Deng Xiaoping pointed out: "The highest criterion for abiding by the party's discipline and state law is to really safeguard and persistently implement party and state policies." Implementing the present party and state policies is not divorced from the instructions of communist ideas. So, while conscientiously implementing the socialist principle of "distribution according to work," we should never forget to foster a communist attitude towards labor. While recognizing and implementing the principle of material benefits, we should never forget to handle well the relations between the state, collectives, and individuals. While advocating the work of letting a part of the people become rich ahead of others, we should never forget to help the poor and to take the path of becoming rich together. While vigorously developing socialist commodity production, we should never permit the principle of commodity exchanges to invade our party's inner political life. While advocating competitiveness, we should enhance unity and cooperation between all localities and between all units. While expanding the decision-making power of enterprises, we should persistently encourage enterprises to make more contributions to the state. Only when we link communist ideas with the party's present policies will the people not take a one-sided view towards the present policies or lose the correct objectives and initiative for making progress.

Carrying out the healthy mass activities of culture, physical culture, and sports in both urban and rural areas and developing medical and public health undertakings have an important significance in heightening national spirit, upgrading the people's mental realm, promoting cultural quality, enhancing the people's physical fitness, and pushing forward production and various work. To meet the increasing need in cultural life among the masses and peasants, the party committees and the departments concerned at all levels should put their work emphasis on rural areas while doing a good job in conducting mass cultural work among cities, plants, and mines in order to help villages, townships, and towns map out their plans or measures to develop the undertakings of culture, education, public health, and physical culture, and sports. Proceeding from reality, a good job should be done in gradually building the cultural centers of townships and towns in order to enable these centers to be attractive garden plots. Efforts should be made to actively support or enhance guidance over the rural cultural centers (stations), the spare-time literary creation and literary-art critic contingent, and cultural, scientific, and technical specialized households. The literary-art specialized troupes at or above the country level, the units publishing newspapers, books, and magazines, and the scientific and technical departments should further foster the idea of serving the vast number of people and should go deep into rural areas to carry out cultural activities, particularly into the fairly backward areas, in order to make use of socialist culture in doing away with or combating feudal and superstitious activities. Efforts should be made to strengthen management over cultural markets in order to resolutely and strictly control obscene articles and to strictly control those who import, manufacture (including copy work), and sell or traffic these articles so as to totally eliminate these ignorant, backward, and uncivilized things.

3) We should vigorously develop socialist democracy in order to protect the right of the people who are the master of the country. Efforts should be made to regard the improvement of democratic systems and the development and enrichment of the people's democratic life as a long-term task that should be carried out in order to spread socialist democracy to every field of politics, economy, culture, and of social life. In line with the principle of enforcing the democratic centralism and separating political work from enterprise management, it is necessary to conduct reforms among the unreasonable administrative systems in order to make the administration work simple, unified, and free from bureaucracy. The people's congresses and their standing committees at all levels should be suitable to the demand of the new situation, actively carry out the work concerning the discussion and approval on the local major construction of culture and the economy, and strengthen their lawful supervision over the work done by the government, the people's court, and the people's procuratorate in order to fully protect the power exercised by the people for the state management. Efforts should be made to further strengthen the building of rural villagers' committees and urban neighborhood committees and to establish or improve the democratic managerial systems of enterprises, establishments, and units. The success in these basic work has an important significance in enlivening the democratic life of the people. While enforcing the system of having the plant

In order to really make ideological and political work serve the party's general tasks and general goals and to closely link economic construction with all reforms, we must reform the party's ideological and political work and eliminate the practice of paying no attention to ideological and political work, the practice of ideological and political work being divorced from reality and the practice of formalism. Party organizations at all levels and comrades engaged in propaganda and educational work should go deep into reality to study the new issues of economic construction and system reform, to answer the people's questions about reform, and to arouse the people's enthusiasm for the four modernizations and reform. So, we must upgrade the political, theoretical, and vocational quality of the ranks of ideological and political workers; strengthen the organizational structure of the ranks of these workers; and enable them to better undertake the historical mission of ideological and political work in the new period.

Our province has developed a campaign of army men and civilians cooperatively building civilized villages into a campaign of urban and rural areas "cooperatively and respectively building" civilized units. This campaign is a good way to implement the construction of "two civilizations," and to let the masses engage in the ideological and political work.

2) We should conscientiously implement the party's principle of "letting a hundred flowers blossom and a hundred schools of thought content" and enliven cultural, art, and scientific undertakings. The principle of "letting a hundred flowers blossom and a hundred schools of thought content," which has been greatly damaged since the 3d Plenum of the 11th CPC Central Committee, has been restored and implemented in our province. An enlivening atmosphere of "letting a hundred flowers blossom and a hundred schools of thought content" has emerged in our province. However, we must understand that we should continue to make the greatest efforts in order to comprehensively implement this principle. We must persistently safeguard the freedom of "letting a hundred flowers blossom and a hundred schools of thought content" and create essential conditions for the work. We should advocate the campaign of letting various forms and styles of art compete with each other for development and letting different scientific schools be free to content. The mistakes and problems made through creation and studies not in violation of party discipline and state law should be solved through literary and art criticism aimed at helping those criticized, through literary and artistic discussions, and through artistic and scientific practices. The party's literary and art workers should be united through persisting in the organizational activities and conducting criticism, self-criticism, and heart-to-heart talks. The broad masses of literary and art workers should delve into reality to master and reflect the ebullient life in building the four modernizations and conducting reforms in order to present their high quality literary-art works to the people, particularly, the younger generation. The research work of social sciences should be geared to the actual situation and should provide answers to the theoretical questions cropping up in practical life. The literary and art workers and social science researchers should exert all-out efforts to be more conscious of serving the people, socialism, and the program of building the four modernizations.

chief (company manager) in charge, enterprises should simultaneously strengthen the work of convening workers' congresses in order to enable staff members and workers to fully play their role as the country's masters. This is an important characteristic of socialist enterprises.

The important task in developing socialist democracy is to develop the patriotic united front and enhance CPPCC work. We should open new avenues for the united front and CPPCC work along with implementing the principle of enforcing the open-door policy in order to enliven the domestic economy and the measure to "establish two systems in one country." Efforts should be made to take over and develop the fine tradition of political consultation, democratic supervision, cooperative activities, world-wide friendship, and self-improvement. It is imperative to uphold the principle of long co-existence, mutual supervision, mutual utter devotion, and sharing of mutual weal and woe in order to enhance the unity among the democratic parties, the nonparty democratic personages, the minority national personages, and religious patriotic personages. Efforts should be made to bring into full play the strong points of talented personnel in these circles in order to lead the enthusiasm of personnel in various fields to serve the program of building the four modernizations.

4) We should further strengthen the socialist legal system, and wage struggle against all law violations and crimes. The legal system is an important guarantee for carrying out democracy, as well as an important means to promote the economic construction. Along with the development of the economic structure reform and the national economy, the task of applying the legal means to regulate the economic relations and safeguard the economic order has become heavier each day. At present, we should actively attend to the local economic legislation work, and gradually formulate laws for all economic activities. At the same time, we should attend to the execution of laws, and launch the education on abiding by laws. Political and legal organs at all levels should handle affairs in strict accordance with laws, be good at applying the laws as weapon to protect the legal interests of the state, collectives, and individuals, and provide effective legal services and guarantee for the economic structure reform and the economic construction. Beginning this year, we should spend about 5 years to popularize the legal knowledge among citizens in order to enable all citizens to understand, become familiar with, and abide by laws. All party members, the party leading cadres in particular, should take the lead in studying the laws, and set an example in observing discipline and laws. From now on, we should regard cadres' ability to master the necessary legal knowledge as an important part of their educational standards. The state should guarantee all citizens extensive democratic rights and freedom, and all citizens should faithfully perform their duties and consciously abide by laws and discipline. By no means should we stress on rights by deviating from duties. Only by combining democracy with laws and discipline and combining rights with duties will it be possible to form a political situation in which unity and stability go hand in hand with liveliness and vitality.

The serious law violations and crimes in the economic, political, and cultural spheres are an important indicator of class struggle under the new historical condition. We should continue to carry out the campaign of dealing strict blows to serious economic crimes and criminal offences, and deal stable, accurate, and stern blows to serious criminal offenders in line with the principle of dealing severe and rapid blows according to law. Heavy sentences should be given, according to law, to those criminal cases which seriously damage the economic construction and the economic structure reform and, in particular, to those appalling cases which involve large sums of money, and have serious destructiveness and corrosiveness. Meanwhile, we should pay attention to comprehensively solving problems in public security, which has a decisive meaning to accelerating the fundamental improvement of social order. Under the unified leadership of the CPC committees, we should give full play to the functional role of political and legal departments, mobilize and depend on the forces in all fields to close loopholes of crimes by using the political, economic, administrative, educational and legal means, and, in particular, strengthen the education and persuasion among the people guilty of light crimes and among juvenile delinquents so as to minimize the occurrence of crimes.

The PLA units stationed in the province, the armed police force, and the large number of militiamen have played an important role in building the two civilizations, developing the socialist democracy, safeguarding public security, and defending the four modernizations. Local CPC committees and people's governments should be concerned with and support the revolutionization, modernization, and regularization of the PLA units. Attention should be paid to giving proper arrangements to the retired soldiers and soldiers transferred to civilian work. The construction of militia and reserve duty service should be strengthened. Greater efforts should be made to carry forward the glorious tradition of supporting the army and giving preferential treatment to family members of servicemen, and of supporting the government and cherishing the people, and to strengthen the unity between the army and the government and between the army and the people in order to push forward all items of construction in a better manner.

4. Actually Strengthen the Party Construction, and Constantly Enhance the Party's Fighting Capacity.

Strengthening the party construction and improving the party leadership has a decisive significance to ensuring the smooth development of the four modernizations. The ongoing party rectification is precisely the important step for accelerating the improvement of party style and enhancing the party's fighting capacity. We should accomplish the province's tasks for party rectification by 1986 strictly in accordance with the demands of the central authority. Party committees at all levels should strengthen the leadership over the second-stage party rectification work in order to prevent the phenomenon of some units conducting the party rectification work perfunctorily. We should conscientiously implement the guiding ideology of closely linking party rectification with reforms and making rectification serve the reforms and the economic development, set forth by the central

authority. While comprehensively accomplishing the four tasks of achieving ideological unity, rectifying the party's style of work, strengthening discipline and purifying the party organization, we should attach importance to strengthening the party spirit of party members and to correcting new unhealthy practices. The units that have not undertaken party rectification work yet should implement the guidelines of making corrections before rectification. The units that have finished their party rectification work should strengthen the routine ideological and political work among party members, solve the problems that were not completely solved in the course of party rectification and the problems that emerged after party rectification, and make efforts to create a new situation in all work. Through the routine work during and after party rectification, we should build the party organizations into strong cores of leading the socialist modernization. At present, we should attend to the following few tasks:

1) We should speed up the work of making the leading bodies at all levels and the ranks of cadres become more revolutionary, younger in average age, better educated and more professionally competent. The realization of the "four requirements" for the ranks of cadres and especially for leading bodies at all levels is a core of the organizational line of the party in the new period. Through the organizational reform, great changes have taken place in the situation where the average age of leading bodies was rather old, their educational level was too low and their intellectual structure unreasonable. But the situation was not basically changed. Therefore, we should continue to achieve the work of readjusting leading bodies and, in particular, leading bodies at and above the county level in the coming 5 to 8 years. Simultaneously we should attend to the construction of the third echelon. Leading comrades at all levels should make efforts to further eliminate the "leftist" influence; conscientiously solve the problems concerning demanding perfection from young cadres and intellectuals, not boldly selecting, promoting or using them; and promote to important leading posts and the third echelon those excellent young and middle-aged cadres who are enthusiastic in the four modernizations, have correct work style and real ability and learning, and are able to create a new situation. Through readjustment, leading bodies at all levels will really become strong command posts with strong party spirit, correct work style and the ability in leading the people to conduct the four modernizations. In selecting and promoting cadres, we should comprehensively persist in the "four requirements" with a focus on ensuring cadres become more revolutionary. We should persistently appoint people according to their political integrity and ability. We should be just, persistently follow the mass line and let the party committees and the collectives make conclusions in appointing cadres. We should install leading bodies in planned and step-by-step manners. The average age of the members of the leading body should be formed as a ladder-shaped structure and the intellectual structure of the leading body should be reasonable. Every leading member should be an expert in his assigned work, learn from others' strong points to offset his own weakness, complement each other and work out policy decisions in many fields.

In realizing the "four requirements" for leading bodies, we should solve well the problems concerning "promotion" and "retirement" of cadres.

We should conscientiously implement the central authority's regulations concerning cadres' retirement. We should properly arrange and take good care of veteran retired cadres to make them spend their remaining years safely. Simultaneously veteran retired cadres should carry out into full play their second-line roles. The whole province should form a good practice of respecting the old and the worthy.

In order to build well the leading bodies with "four requirements," we must persist in the party's democratic centralism. We should perfect the system of holding meetings on party life, fully carry out inner party democracy, and conscientiously conduct criticism and self-criticism. Both new and old cadres and native cadres and cadres from other places should support, help, talk with, believe and understand each other so as to strengthen unity among themselves. Efforts should be made to uphold the party committee system and to integrate collective leadership and the division of labor with individual responsibility in order to prevent the evil practice of having individuals monopolize everything, shifting responsibility onto each other, and having no one be responsible. During the past several years, party congresses at all levels have not been convened in a timely manner. Such a state of affairs is abnormal; therefore, we must convene the congresses in line with the party constitution and the given date.

The urgent task we face is to vigorously upgrade the standard of culture, professional work, and political theory in the cadres' rank. Of more than 1 million cadres throughout the province, 170,000 persons with an educational background below junior middle school level, whose average age is less than 45 years, must urgently upgrade their cultural standard. Those who have a higher cultural standard should also continue their study to reinforce their ability because of the day-to-day development of science and technology and the program of building the four modernizations. Departments at all levels should approach or grasp the cadre training work from the high plane of strategy in order to promote the professional ability and the political and ideological standard of all cadres to meet the need of developing the new situation.

2) We should grasp the central link of conducting education on party spirit in order to vigorously upgrade political quality in the party members' rank. This is the fundamental issue of party building in the new historical period. Generally speaking, the provincial contingent of party members is fine. However, we should note that the problem of impure party spirit among a large number of party members has been quite prominent because the influence of "the Great Cultural Revolution" has not been totally eliminated and the influence of ideas of the exploiting class has increased under the new situation. Some party members are short of training and education on party spirit, or have been weak in the sense of revolutionary ideals, service for the people, and discipline, and have thus increased individualism and anarchism in their minds. Some party-member cadres, particularly leading cadres, have sought personal gain by taking advantage of their position and power, resulting in the work style of serious bureaucracy. To deal with these problems within the party, it is imperative to conduct long-term education on party spirit among party members. Efforts should be made to organize party members to earnestly study the scientific theories of Marxism-Leninism- and Mao

Zedong Thought and the party's basic knowledge and to carry out criticism and self-criticism by bearing in mind the actual situation in order to combat attacks by bourgeois ideas and the lingering ideas of feudalism. All Communist Party members should know well the party's fundamental truth regarding nature, programs, fighting targets, revolutionary purposes, sense of the overall situation, and iron discipline. Meanwhile, efforts should be made to take this truth as major content in training themselves in order to enhance party spirit. All party members should go into practical action to answer the following questions: For which purpose are we racking our brains--for communist ideals, the country's prosperity, and an increase in the people's affluence, or for the immediate interest of individuals and small groups? Which interest is primary--the interest of the party and the people, or the interest of individuals? Which path should we follow--that of strictly abiding by the party's discipline and strictly following orders and prohibitions, or the path of turning a blind eye to the party's discipline and sticking to one's old ways? Only by remembering the party fighting targets, fundamental purposes, and the party style and discipline at all times, and earnestly practicing what we advocate, can we be qualified Communist Party members of the new historical period. The party organizations at grassroots levels should implement, in an overall way, the eight basic tasks set forth by the party constitution and strengthen education on management among party members in order to enable them to truly be the strong bastion of battles. The party committees at all levels should attach sufficient importance to the current slackened and unhealthy phenomena of some grassroots-level organizations, and deal with them earnestly.

What we must stress is that the party-member leading cadres must first upgrade their political quality. The reason why some units have committed malpractices is chiefly that their leading cadres have had impure ideology and have personally indulged in malpractices and neglected their duties. All party-member leading cadres, whatever their rank, are servants of the people. They should faithfully represent the interests of the party and the people, accurately exercise the powers entrusted to them by the party and the people, and diligently and conscientiously work for the interests of the people. By no means should they abuse their powers to seek personal gains, be tainted with the bad habits of bureaucratism, or let evil trends and unhealthy practices spread unchecked. They must be strict with themselves, and have strong sense of party spirit, high level of awareness, and excellent work style in order to set an example among the vast number of party members.

We should combine ideological education among party members with the implementation of party discipline. Those who violate the party discipline and indulge in unhealthy practices should all be corrected, without exception. Those who violate the law and discipline in a serious manner must be punished according to party discipline and state law. Discipline inspection organizations at all levels should conscientiously perform their duties of straightening out the party style, safeguarding the party discipline, and ensuring the implementation of the party line, principles, and policies,

and should play their proper role. CPC committees at all levels should strengthen their leadership over the discipline inspection work, and support discipline inspection departments to develop self-construction.

In the course of improving the political quality of party-member ranks, we should organize the vast number of party members to study general knowledge, science and technology, and professional skills in order to improve their ability to serve the people.

3) We should strengthen the party's work with the masses, and mobilize all positive forces to serve the four modernizations. Party organizations at all levels should carry forward the party's fine tradition in developing work with the masses of all classes and, in particular, with workers, peasants, and intellectuals; and fully mobilize the initiative of the people in promoting the development of various undertakings. Party organizations at all levels should accept the supervision from the masses, listen to the opinions of the masses, show concern for the weal and woe of the masses, and enthusiastically solve problems for the masses. Party organizations should improve ideological and political education among the masses in light of the specific situation of each class, and should draw all excellent intellectuals qualified for party membership into party organizations. Special attention should be paid to recruiting those intellectuals with communist awareness and advanced youths into the party in order to change the situation in which the level of general and scientific knowledge of the party-member ranks is relatively low and the average age is relatively old. Trade unions, the CYL organizations, women's federations, scientific and technological associations, federations of literary and art circles, overseas Chinese federations, and various other mass organizations are an important link and bridge between the party and the masses. Party organizations at all levels should attach significance to their important role in the new period, give guidance to their work, help them solve problems in work and livelihood, support them in effectively developing their work in line with their specific characteristics, and better educate and unite the vast number of the masses to contribute their own efforts to building the two civilizations.

4) We should successfully build the party's leading organs, and vigorously improve work quality and efficiency. To improve and strengthen the party leadership, we need not only a firm leading body, but also work organs with good workstyle, high efficiency, and cooperative spirit. The "Decision" adopted by the 3d Plenary Session of the 12th CPC Central Committee demands that leading organs at all levels orient their work to serving the development of productions, serving the grassroots units and enterprises, and serving state prosperity and the people's happiness. We must improve service work in all fields through the practice of professional work. We must consciously correct all practices which cause professional work to digress from serving production and construction, and which treat the masses' demands in a bureaucratic manner.

Persisting in the practice of linking theory with practice, establishing close contacts with the masses, and conducting criticism and self-criticism,

which was consistently initiated by Comrade Mao Zedong, is a basic premise of achieving the service work. The party's three major work styles were seriously damaged by "leftist" mistakes, especially during the 10-year internal disorder period. Judging from the overall situation, the three major work-styles of our province's leading party organs at all levels are under restoration at present. However, there are still many problems. In particular, we fail to correctly follow the ideological line of seeking truth from facts. For instance, some cadres still engage in formalism, pay lip-service, demand uniformity in everything, report only the good news and not the bad, and make up excuses to seek private gain. These activities prevent the development of the party's undertakings. Leading organs at all levels should take it as an important task for strengthening their own construction to carry forward the party's traditional ideological style and, in particular, to correctly follow the ideological line of seeking truth from facts. Cadres at all levels should be selfless, be brave in creating a new situation, be diligent in engaging in affairs, link the central authority's principles and policies with actual local conditions, and have creativeness to implement principles and policies. We should stress efficiency, seek practical results, and direct efforts to making the country strong and the people rich. We should be unselfish and magnanimous, and be brave in persisting in truth and correcting mistakes. We should eliminate "excess documents and meetings," go deep into the masses, conduct investigations and studies, and guide work in line with the actual conditions.

Leading organs at all levels should gradually carry out scientific management. The organs at and above the country level should be further streamlined and clearly define their own functions and responsibility. We should perfect the information in order to timely and correctly convey information in many fields. Further efforts should be made to strengthen the construction of a "brain trust." We should adopt the method of dividing the work and cooperating with all research organizations to accomplish the investigations and studies regarding certain major tasks. We should strictly set up and improve a system of personal responsibility among organs, persist in examinations, and strictly distinguish reward from punishment in order to scientifically systematize and standardize the institutional work.

Comrades: The socialist modernization that we are engaged in is a great revolution. In the course of the revolution, we will certainly meet various difficulties. We firmly believe that we will be able to completely eliminate all difficulties and win victory under the guidance of the CPC Central Committee's correct line and through the unity of the party and the unity between the party and the people. Let 2.7 million party members and 55 million people in our province hold high the banner of Marxism-Leninism-Mao Zedong Thought, be brave in undertaking the heavy tasks in conducting the four modernizations and the reforms, rouse themselves for vigorous efforts to make the country prosperous, create a new situation in work, and make efforts to contribute to Hebei's flourishing and advance and to the realization of the long-range communist ideals.

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PROVINCIAL AFFAIRS

TEXT OF GUANGDONG GOVERNMENT 1984 WORK REPORT

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["Government Work Report by Guangdong Governor Liang Lingguang at the Third Session of the Sixth Guangdong Provincial People's Congress on 13 May 1985"--- passages within slantlines published in boldface]

[Text] Fellow deputies,

In 1984, our province made some new achievements on the political, economic, scientific, technological, cultural, and educational fronts and the situation became more and more satisfactory. I now submit a report on the economic situation, our adherence to the reforms, on giving impetus to the implementation of the open-door policy, and on economic construction for examination and approval by the present congress.

The New Situation in Economic Construction in 1984

In 1984, by focusing our attention on the reforms, we enabled the national economy to develop at an even more rapid pace and the province made even greater achievements in implementing special policies and flexible measures and in adhering to the policy of opening the province to the world and revitalizing the domestic economy. Last year, the province's total social product was 77.58 billion yuan, a 16.4 percent increase over the previous year; its national income was 35.28 billion yuan, a 14.3 percent increase over the previous year; and its gross industrial and agricultural output value was 53.55 billion yuan, an increase of 17.7 percent over the previous year. The gross industrial and agricultural output value created exceeded that prescribed in the "Sixth 5-Year" Plan one year ahead of schedule and the situation of the province's economic construction was excellent.

/In 1984, in the course of readjustment, the province's industrial and agricultural production steadily and harmoniously developed./ In the 6 years since the 3d Plenary Session of the 11th CPC Central Committee, the province's industrial and agricultural production has grown rather significantly. Between 1979 and 1983, the average annual growth rate of the province's industrial production was 9.4 percent and that of its agricultural production was 7.7 percent. In 1984, the province's gross industrial output value was 36.69 billion yuan, a 20 percent increase over the previous year, and its gross

agricultural output value was 16.86 billion yuan, a 13 percent increase over the previous year.

Since the province has suitable characteristics for the growth of economic crops and for the development of diversification, its agricultural production is being steadily restructured accordingly. In 1984, compared with that in 1978, the area of land devoted to the growing of grain decreased by 14,987 million mu and yet grain output totaled 39.2 billion jin, 6.7 billion jin more than that in 1978. On the average, grain output had increased by 1.12 billion jin each year. In the 29 years preceding 1978, although we had devoted much energy to developing grain production, grain output only increased by about 600 million jin each year on the average. In the past 6 years, the output of sugarcane, peanuts, fruits, and other economic crops has increased enormously. Last year, production in the rural area continued to develop in the direction of a commodity economy and forestry, animal husbandry, sideline production, fishery, and various joint agricultural-industrial-commercial undertakings steadily developed. The proportion of the output value of forestry, animal husbandry, sideline production, and fishery to the gross agricultural output value rose from 39 percent in 1978 to 49.6 percent in 1984. In 1984, the total income of the township and town enterprises in province was 12.67 billion yuan. At present, about 30 percent of the labor force in the rural areas is employed by industry, commerce, transportation, building construction, and various services and about half of the labor force in the Zhujiang Delta area is employed by these trades. Last year, the commodity rate of agricultural products rose from about 40 percent in 1978 to about 60 percent and in the Zhujiang Delta Area, where there is a well developed commodity economy, the commodity rate of agricultural products was more than 70 percent.

Light and heavy industries developed in a coordinated manner. In 1984, the output value of heavy industry exceeded that in the previous year by 14.6 percent and the output value of light industry exceeded that in the previous year by 23 percent; they were 51 percent and 111.7 percent, respectively, higher than the heavy and light industrial output value in 1978. In 1978, the light industrial output value was only 58 percent of the gross industrial output value. It rose to 66.3 percent in 1984. In the past few years, the production of textile goods, electronic products, household electrical appliances, foodstuffs, and other daily consumer goods has developed at a rapid pace and the production of high-quality goods, famous brands of products, expensive goods, and durable goods has steadily increased. This shows that as a result of the restructuring of industry, the competitive power and adaptability of our products have been enhanced and that a light industrial structure that is consonant with the province's special circumstances is taking shape.

/The progress in foreign and external economic work indicates the advance made by the province in the course of opening itself to the world./ In 1984, in foreign trade, we readjusted the product mix, provided export service on commission, improved business management, and reduced deficits. The total value of the goods purchased was 4.92 billion yuan and the total volume of exports was \$2.42 billion, slightly greater than that in the previous year. The province signed 17,500 contracts concerning the use of foreign capital,

54.8 percent more than in the previous year. The actual amount of foreign capital used was \$650 million, 59.4 percent more than in the previous year. More large and medium productive facilities and advanced technological facilities were imported than in the previous year. Such facilities included a production line for the mass production of integrated circuits, a float glass production line, and a polyester fiber slicing plant. The use of foreign capital, previously confined to the coastal areas, gradually became popular in the mountain areas. Similarly, the import of technologies from abroad also gradually became popular in the interior. Our economic cooperation with foreigners was more flexible and more diversified than ever before. Break-throughs were made in the introduction of intellectual resources from abroad. Some enterprises began with the employment of foreign experts. Later on, they employed "management groups" from abroad. In this way, we were able to learn from the advanced management methods and technologies developed in foreign countries.

/An encouraging change in the province's economic development was the speeding up of technical transformation./ In 1984, the province's total investment in the technical transformation of its enterprises was 2.35 billion yuan, 11.4 percent more than that in the previous year and 840 percent more than that in 1979. In the past 5 years, the province has invested a total of 7.35 billion yuan in technical transformation and arranged 7,395 technical transformation projects. The focus of technical transformation was on the large and medium cities, the textile industry, light industry, and electronics industry. The purpose of technical transformation was to enable the large and medium cities and the major industries and major products to be up to the international standards reached by other countries in the late 1970's and early 1980's. Some cities, counties, and industries did pay attention to combining the import of advanced technologies and facilities with the technical transformation of the existing enterprises. At first, technical transformation was carried out piecemeal. Gradually, it was carried out with priorities and in a planned manner. Beginning with the import of single pieces of machinery and single assembly lines and the technical transformation of individual facilities, the enterprises eventually imported complete sets of advanced facilities and production lines and carried out technical transformation throughout various industries. In addition, they no longer simply imported technologies. They combined it with trade. Apart from this, they also improved the quality of their products, developed new products, and speeded up the upgrading and renewal of their products. So far the textile industry has imported 7,185 sets of facilities. About 90 percent of these facilities have produced economic results and some of them have filled gaps in the province and the country. The electronics industry has imported 75 production or assembly lines and more than 2,500 sets of facilities, thus enhancing its ability to produce finished products, components, and parts. The textile industry, light industry, and electronics industry import technologies in order to give impetus to the technical transformation of various enterprises. As a result of this, some products have been gradually upgraded, their variety has increased, and they have become marketable in the province and other parts of the country. Some have even gained entrance to the international market.

/The rapid development of tertiary industry was a marked feature of Guangdong's economic development./ In 1984, the total output value of Guangdong's tertiary

industry amounted to 12.8 billion yuan, a 21.6 percent increase over the previous year, and an additional 582,000 people were engaged in tertiary industry. The province's 1984 retail sales reached 27.33 billion yuan, up 21.3 percent over 1983. Urban and rural fair trade continued to grow. The abundant supply of commodities and the brisk purchasing and marketing in the market put an end to the situation of short supply which lasted for a long time. In order to suit the new situation of commercial development, while increasing the number of state-owned commercial shops, the number of collective and individual households engaged in commerce increased to over 580,000, totaling over 1.03 million people. This figure outstripped the total number of staff and workers in the state-owned commerce and the supply and marketing cooperatives. The commercial centers for every 1,000 people increased from 1.8 in 1979 to 10.5, which enlivened the urban and rural economies and made things convenient for the people.

As the initiative of the state, the collective, and the individual were all encouraged, transport businesses were brisk and the past situation of state monopoly came to an end. With the funds mustered through various channels, 10 bridges, each with a length of more than 200 meters, were built and opened to traffic in 1984. As a result, vehicles no longer had to use the ferries along the Guangzhou-Shenzhen, Guangzhou-Zhuhai, and Guangzhou-Zhaoqing highways. Marked progress was registered in taxi business in large and medium size cities and in inland water and sea transport. The pace of posts and telecommunications building was also accelerated.

Tourism continued to flourish. By 1984, a total of 144 guesthouses and hotels, with 46,000 beds, were built and renovated with foreign investment, a 9-fold increase over 1978. A tourist service network with Guangzhou at its center began to take shape. In 1984, the tourist departments received 1.837 million visitors from Hong Kong, Macao, and abroad, an 18.5 percent increase over the previous year. Foreign exchange (converted into renminbi) earned through tourism was 488 million yuan, up 140 percent over 1983. Moreover, the number of design, decoration, construction, and automatic control companies and all kinds of technical and information consultative companies increased. The tertiary industry played an increasingly important service and intermediary role in Guangdong's economic construction.

/On the basis of production development, the people's living standard further improved./ In 1984 jobs were given to 310,000 people in cities and towns. The income of workers and peasants continued to increase. The average annual cash wage (including bonuses, subsidies, and allowances) for workers and staff was 1,153 yuan, a 16.2 percent or 161 yuan more than the previous year. The actual increase in workers' wages stood at 14 percent when the cost of living increase was factored in. According to a sample survey, the average annual per capita income of the peasants was 425 yuan, up 7.4 percent. Urban and rural savings deposits amounted to 11.76 billion yuan, 47.1 percent more than the 1983 year-end figure. Housing for both urban and rural dwellers was also improved.

The above-mentioned circumstances show that Guangdong's economic structure became rational, the proportional relations of the economy were well-coordinated, and the relations between production, construction, and the people's

lives were reasonably arranged. The isolated economic system became an open economic system and Guangdong's advantages were brought into full play in economic construction.

The favorable new situation was the result of further instituting the economic reforms and opening to the outside world and enlivening the domestic economy. In 1984, while the rural reform developed in depth, the focus of reform was put on cities. A series of reforms were carried out in planning, pricing, industry, capital construction, circulation, administrative management, and other fields. State-owned enterprises underwent the second stage of the reform to substitute tax payments for the delivery of profits. The reform and enterprise consolidation pushed production forward and accumulated experience for the restructuring of the national economy, with the focus on the urban economy. In 1984, the reforms which had an important bearing on economic development included extending the decisionmaking power of enterprises, developing economic relations among enterprises and regions, implementing the tender system for construction projects, and the system of the city exercising leadership over the surrounding counties.

In 1984, we further extended the decisionmaking power of industrial enterprises and implemented various forms of economic responsibility systems within enterprises. Enterprises were encouraged to carry out competition under the guidance of planning. Vitality was instilled into enterprises so that they could enhance their motivity and ability for self-transformation and self-development and could attach importance to production, science, and technology as well as to market information, developing new products, and improving product quality. Consequently, a number of enterprises were converted from production type into production and business type enterprises and their adaptability was enormously enhanced.

In 1984, we also developed economic and technical relations among enterprises and regions, opened up a technical market, and encouraged the economically developed areas along the coast to transfer their technologies to the interior and mountainous areas. Some cities and counties along the coast imported advanced technology from foreign countries and carried out economic and technical cooperation between counterpart organizations. The mountainous areas in the interior, however, made use of the funds and technology of the plain areas to jointly exploit the natural resources. As a result, they helped, complemented, and benefited each other.

In 1984 Guangdong implemented the investment contract system and the tender system for construction projects, cut down production costs, shortened the construction cycle, improved the quality of projects, and achieved better results. Compared with the period before reform, the construction cycle of the projects in Guangzhou, Shenzhen, and other localities was shortened by around 20 percent. In many multistory buildings, while construction continued in the upper storys, business started in the lower storys, thus better economic results were achieved.

In 1984 we launched pilot projects for the overall reform of the urban economic structure, implemented the system of the city exercising leadership over the

surrounding counties, and completed in an all-round way the country level structural reform and the separation of government administration from commune management. The pilot projects for the overall reform of the urban economy launched in Guangzhou, Zhanjiang, Foshan, and Jiangmen were useful exploration for the urban areas in bringing along the rural areas and for implementing the system of the city exercising leadership over the surrounding counties in an all-round manner.

The changes effected through reform in the year were manifested in the economic growth and new scientific research achievements as well as in the building of socialist spiritual civilization. By further strengthening political and ideological work, we inspired the people's spirit to vigorously forge ahead. The activities of "five stresses, four beauties, and three loves" centered on building civilized units were carried out throughout the province. These activities further improved the general social mood and public order. Educational undertakings developed vigorously as all fields attached greater importance to the exploitation of intellectual resources and to the training of talented people. With the development of reform and the open-door policy, a fine situation of active thinking and creativity emerged in the fields of culture, art, press, publication, radio, and television. Sports activities extended all over the urban and rural areas. Out athletes won honor in games at home and abroad. New contributions were made in public health work to prevent disease, cure sickness, and ensure the people's health.

The new achievements scored to various fronts in the past year are the results of the army and people of the whole province fighting in unity. The broad ranks of workers, peasants, and intellectuals have put in a lot of hard work to develop the favorable situation; the PLA troops stationed in Guangdong and the public security armed forces have carried forward the glorious tradition of the army, rescued the people from disaster areas, and supported and defended the building of the four modernizations; the broad ranks of cadres have worked hard and a large number of cadres who are open-minded, who are in the prime of life, and who dare to forge ahead are being tempered on various fronts and in all grades; under poor working conditions and with difficulties in their life, scientific and technical personnel have played an important role in accelerating Guangdong's economic construction; the CPPCC at all levels, democratic parties, and patriotic personages have offered advice and made suggestions for the building of the four modernizations; and the vast numbers of overseas Chinese and Hong Kong, Macao, and Taiwan compatriots have shown concern for and supported the building of their hometowns and have dedicated themselves to the construction of the motherland. The people of the whole province have profoundly realized from the increasingly favorable situation that the line, principles, and policies formulated since the 3d Plenary Session of the 11th CPC Central Committee are correct. So long as we unswervingly take the road of reform and opening to the outside world, we will certainly be able to create a new situation in Guangdong's economic construction.

Fellow delegates, under the favorable situation of the vigorous development of Guangdong's economic construction, we must also be aware of some problems in economic development that call for attention. Some of these problems are rather serious. Since the fourth quarter of last year, as we failed to exercise strict control over credit, the consumption funds have increased sharply

and an excess of currency has been issued. Meanwhile, some party and government organs and units have engaged in businesses and some have even resold goods in short supply and imported commodities; some localities and departments have indiscriminately hiked prices and exacted charges; some units have recklessly issued bonuses, allowances, and consumer goods; and some organizations have gone in for ostentation and extravagance and have entertained guests and sent gifts at public expense. The illegal elements in society have taken the opportunity to disrupt the market. If these problems are not promptly solved, they are bound to seriously affect the progress of reform. Naturally, the problems currently existing in economic life are but minor aspects that have emerged in the course of advance. Some problems are to be solved by further reforms and opening the door wider to the outside world. Some are long-standing problems, being a reflection of outmoded ideas and force of habit. These problems should also be solved in the course of reform and opening to the outside world. Some problems are consequences of our poor management. By implementing the spirit of the national conference of governors and adopting a series of measures, the illegal offenses are being attacked, the unhealthy tendencies are being restrained, and the situation has turned for the better. With regard to Hainan's mistake in importing large numbers of cars and consumer goods and reselling to other localities without authorization in violation of state policies, the problem is rather serious and the central and provincial authorities are examining and handling the matter. Facts have proved that these problems can be solved so long as we attach great importance to them, seek unity of thinking and action, resolutely implement the stipulations of the CPC Central Committee and the State Council, and encourage the leading cadres at all levels to take the lead in observing the law and discipline and to strengthen management over the leading organs and state-owned enterprises and institutions.

Continue To Push Economic Construction Forward With the Focus on Reform

The year 1985 is the last year for fulfilling the Sixth 5-Year Plan in an all-round way and the first year for implementing the Decision of the CPC Central Committee on Reform of the Economic Structure. The main tasks of government work this year are: To further implement the principle of enlivening the domestic economy and opening to the outside world, continue to implement the special policies and flexible measures approved by the central authorities, carry out the reform of the economic structure in a vigorous and steady manner, maintain the coordinated development of the national economy, fulfill and overfulfill all the targets of the Sixth 5-Year Plan in an all-round way, and prepare conditions for the Seventh 5-Year Plan. On the basis of attaining better economic results and increasing national income, strive to maintain a balance in finance and credit, appropriately arrange accumulation and consumption, ensure that the people's living standard is improved, and push the building of socialist spiritual civilization and other undertakings forward.

Since the beginning of this year, there has been a sharp growth in production, construction, circulation, and revenue. On the one hand, it shows that reform and opening to the outside have aroused the initiative for developing socialist commodity production and that the economic development has embarked on the track of simultaneously attaining fast growth rate and results. On the other hand, the fast growth rate has been supported, to a certain extent, by

the excessive credit and investment in capital construction, the sharp growth of consumption funds, and the import of large amounts of raw materials and machine parts in 1984, particularly the fourth quarter. It is difficult for such a situation to last long and it will lead to a new strain on funds, energy, communications, and raw materials. Therefore, the leading cadres of the governments and departments at all levels must be sober-minded and never try to blindly seek high growth rates irrespective of their financial and material resources and the economic results. We must view the favorable situation from two aspects and seriously handle the problems existing in the current economic work. While arranging the scale of construction and production, it is necessary to take into account the capacity of financial resources, energy, communications, raw materials, and basic facilities. On no account should we rush headlong into mass action. We must adhere to seeking truth from facts and acting according to our capability, stress overall economic results and developing in a proportional and coordinated manner, take note of maintaining a normal and sustained growth rate and a stable economic environment, and ensure the smooth progress of reform.

Not long ago, Comrade Deng Xiaoping emphatically pointed out that China's ongoing reform and the policies of opening the provinces to each other and the country to the outside world are firm and unshakable. Our principle is to open wide and not to restrict. The governments at all levels should implement the spirit of Comrade Xiaoping's instruction and the Decision of the CPC Central Committee on Reform of the Economic Structure and, in accordance with the guiding principle of "being steadfast and prudent in fighting the first battle and being sure to win," continue the reform of the economic structure, with the focus on the urban economy, open the door wider to the outside, enliven the domestic economy, and further promote Guangdong's economic construction.

/1. Push forward the reform in a vigorous and steady manner./

In reforming the urban economic structure, it is necessary to pay attention to the following: Simplify administrative procedures and delegate power, open the door wider, and invigorate enterprises. Invigorating enterprises is the starting point and also the target of reform. In invigorating enterprises, we must lay stress on instilling vitality into the large- and medium-sized backbone enterprises. Guangdong has carried out some reforms to extend the decision-making power of enterprises, but failed to properly implement some measures. Hence, we must continue to implement the measures on instilling vitality into enterprises. All localities and departments should earnestly implement the Provisional Regulation of the State Council on Further Extending the Decision-making Power of State-owned Industrial Enterprises and let the enterprises become relatively independent economic entities and producers as well as managers of socialist commodity production that carry out independent operation and management and assume sole responsibility for their profits and losses, so that the enterprises can carry out self-transformation, develop production, and increase profits. The decisionmaking power stipulated by the State Council and the provincial government must be genuinely delegated to the enterprises. The companies of an administrative nature in which government function is not separated from business management, and the problem of excessive and rigid control must be solved particularly. We must also accelerate the operation and management of small state-owned enterprises which are to be carried out on contract, transfer, leasing, or share-division basis. While extending the

decisionmaking power of enterprises, it is necessary to pay attention to enterprise consolidation, reform, restructuring, and combination. Enterprises should do a good job of internal reform; continue to carry out reforms in recruitment, distribution, and labor insurance; perfect the various forms of economic responsibility systems; strengthen labor protection; ensure safety in production; enhance workers' technical training; promote modernized enterprise management; improve the quality of enterprises; achieve better economic results; and effect a change toward business and exploitation type enterprises.

In accordance with the unified state plan, the reforms of the wage and the price systems constitute two important tasks in the reform of China's economic structure this year. The emphasis in wage reform in 1985 will be on eliminating the current irrationalities, so that the egalitarian practice of everybody eating from the "same big pot" in the distribution of wages will be gradually abolished and a new wage system better embodying the principle of distribution according to work will be instituted. In government departments and institutions, a system in which wages are related to specific work posts will be introduced, linking the wages of workers and cadres closely with their specific jobs, responsibilities, and contributions. In state enterprises where conditions permit, the method of letting the total payroll fluctuate according to economic performance will be gradually introduced, tying the wages and bonuses of workers and management personnel to the economic performance of their enterprise and to their personal contributions. Enterprises where conditions for reform are not yet ripe can follow the existing methods after making some improvements.

The reform of the wage system in Guangdong should be carried out strictly according to the state plan. All localities, departments, enterprises, and institutions should proceed from the overall situation and conscientiously abide by the regulations pertaining to the wage reform. Before the central authorities have determined the ratio between Guangdong's total payrolls and taxes or profits to be delivered to the state, all enterprises should follow the unified plan of the province in carrying out wage reform and conduct well the calculation work and pilot projects approved by the provincial authorities. No localities must be allowed to extend their pilot projects. The wage reform of administrative units and institutions should be carried out within the control figures set by the state for the payroll. It is impermissible for them to introduce extra wage increases by drawing on local financial resources, to establish their own wage scales, or to launch wage reform at their own expense. The reform plans must follow the standard set by the state. As Guangdong's prices and workers' wages are relatively high and there are many joint ventures, while following the wage standard set by the state, appropriate regional subsidies will be granted with the State Council's approval. Now we must do the calculation work well and fix the number of staff.

All localities and departments should set up wage reform leading bodies and conduct political and ideological work among the broad ranks of cadres and masses. Wages should be increased only in light of production development and with the attainment of better economic results. If we go beyond this limit and raise wages too much, it is bound to lead to a drastic increase of consumption funds, which will upset the rational proportion of consumption

and accumulation in the distribution of the national income and add difficulties to reform. Moreover, we will lose the superiority in carrying out economic and technical cooperation with the outside world if our wages are too high. Therefore, we must prevent these practices. We cannot expect too much in the wage increase for it will not be possible to solve at one stroke all the problems that have accumulated in the wage system over the past two decades or more. So long as we straighten out the relations of wages, the income of cadres and workers will steadily and frequently increase with the development of production and attainment of better economic results.

In carrying out the reform of the price system this year, we will adopt a policy which combines relaxed control with readjustments and aims at progress in measured steps. In the reform, we must, in light of actual conditions, conscientiously carry out the principle of raising the prices of some commodities while lowering those of others and strive to maintain the basic stability of commodity prices as a whole. The main points of the price reform are as follows: Lift restrictions on the purchase and marketing prices of live hogs, readjust the purchase and marketing prices of grain in the rural areas, and appropriately raise charges for short-distance railway transport. From the beginning of this year, Guangdong has abolished the system of fixed state purchases and ration supply of live hogs at market prices, implemented the system of purchase and marketing at negotiated prices, and provided the urban residents with a certain amount of price subsidies. The system of fixed state purchases of freshwater fish and silk cocoons has also been abolished and replaced by purchase and marketing at negotiated prices. Moreover, the system of unified state purchases of timber in the collective forests has been abolished. Except for the goods stipulated by the central and provincial authorities which will be marketed at unified prices, price controls on most of the manufactured consumer goods for daily use will be relaxed and the enterprises will determine the prices by themselves.

Meanwhile, we will properly widen price differences for products of different quality and increase regional price differences, facilitate rational commodity circulation, and reduce or eliminate expensive and unmarketable products of inferior quality. The prices of raw and semi-finished materials, fuels, and other major means of production which are distributed according to state plan will remain unchanged, while those not included in the plan will be marketed at small profits. However, enterprises are not allowed to resell at high prices the things distributed according to state plan.

The reform of the price system is the key to the success or failure of the reform of the economic structure as a whole. Guangdong took a step ahead of others in the reform of the price system. This played an effective role in straightening out the irrational phenomenon of price deviating from its value and retail price being lower than state purchasing price and in improving enterprise operation and management, attaining better economic results, and promoting commodity production and exchange. Under the unified state plan, we must, in 1985, be prudent, avoid rushing headlong into mass action, and ensure the smooth progress of the reform of the economic structure.

With the reform of the urban and rural economic structures fully under way, it is necessary to correspondingly reform the system of science and technology. The Decision of the CPC Central Committee on Reform of the System of Science and Technology is another important document following the Decision of the CPC Central Committee on Reform of the Economic Structure. We must conscientiously implement the spirit of the "Decision" and resolutely reform the system of science and technology in a step by step manner according to the principle that economic construction must rely on science and technology and scientific and technological work should cater to the needs of economic construction. It is necessary to appropriately solve the commercialization of scientific and technological achievements, extend the decisionmaking power of the research organs and institutions, and strengthen macroscopic control of the government organs over scientific and technological work. The independent research institutions should cater to the needs of society, become independent research and exploitative entities, and possess the capability of self-development and the vigor of spontaneously serving the economic construction. It is necessary to value intellectual labor, ensure the rational mobility of talented people, and train scientific and technical personnel through various channels.

With the reform of the urban economic structure under way, the reform of the government economic management organs is all the more pressing. In accordance with the principle of separating government administration from business management, simplifying administrative procedures, and delegating power, the economic management departments at all levels should correctly exert the functions of government organs managing the economy. They should learn to use the economic levers and means to manage the economy, give full play to the functional role of the government economic departments over macroscopic economic adjustment, control, and management, and try to lessen direct interference over enterprise production, operation, and management as much as possible. It is necessary to reform in a step by step manner the companies of an administrative nature in which government administration is not separated from business management and to organize trade associations on a trial basis. With regard to the regional administrative management system, the whole province will implement the system of cities exercising leadership over the surrounding counties. Meanwhile, reform experiments will be conducted on merging towns and districts and towns exercising leadership over the villages.

The all-round reform of the urban economic system has laid favorable conditions for further reforms in the rural areas. In 1985, the rural areas should implement the spirit of the central Document No 1 and lay stress on reforming the system of unified and fixed state purchases of farm produce and readjusting the rural production structure. The unified and fixed purchases of farm produce should be changed into contract purchases or market purchases. We must use guidance planning and market regulation to organize and lead agricultural production. The rural production structure must shift from the pattern agriculture-industry-trade into trade-industry-agriculture. In accordance with the market demands at home and abroad, it is necessary to readjust the distribution and production structure of agriculture, continue to grasp grain production, import advanced agricultural technology, equipment, and improved breeds, transform traditional agriculture, and enhance the competitiveness of farm produce

and other processed goods in the international market. We must continue to develop overall operation of agriculture, industry, and commerce and push agriculture toward socialization and commercialization. Meanwhile, we must vigorously develop township transport, mining, building, and service enterprises in rural areas, transfer the rural surplus labor to the second and tertiary industries, readjust the agricultural structure and the production and labor setup, and gradually increase the proportion of the output value of nonagricultural production in the national income.

/2. Promote the open-door policy through reform and further expand external and internal economic and technical exchanges./

In the course of promoting the reform of the economic structure as a whole, it is necessary to get great store by the open-door policy and to use reform and the open-door policy to further push Guangdong's urban and rural economies forward.

While implementing the open-door policy, we must first build well the three special economic zones, the two cities, the Zhujiang Delta, and Hainan which are open to the outside. The Shenzhen, Zhuhai, and Shantou special economic zones should make vigorous efforts to turn their economies into open and extroverted type economies; Guangzhou and Zhanjiang should strive to do the work to commence and implement the scheme to build an economic and technological exploitation region well; and Hainan should implement the principle of using the open-door policy to promote exploitation, conscientiously sum up experience, and continue to advance. The CPC Central Committee and State Council have approved the building of the Zhujiang Delta open economic zone this year, which will be gradually expanded. Except for Shenzhen and Zhuhai special economic zones and Guangzhou which are the coastal cities opened to the outside, the cities and counties covered by the Zhujiang Delta open economic zone include Foshan, Jiangmen, Zhongshan, Nanhai, Shunde, Gaoming, Heshan, Taishan, Kaiping, Xinhui, Fanyu, Zhengcheng, Baoan, Doumen, and Dongguan. As this is China's significant strategic plan to further open to the outside world, we must work out overall plans, strengthen management, adopt measures, and put them into practice.

All localities opened to the outside should vigorously import advanced technology and carry out cooperation with counterpart organizations and give full play to their role of "windows" in four fields (technology, management, knowledge, and external policy) and the role of "radiation" in two aspects (at home and abroad), so as to promote the development of economic construction of the whole province and the country. We must import advanced science and technology and assimilate them, so as to push forward Guangdong's science and technology. We must use the operation and management methods of mass production of other countries for reference and discard the dross and select the essence, to suit China's national conditions and serve our purposes. Thus, we can explore experience for the reform of the economic structure of the whole province. In accordance with the principle of trade, industry, and agriculture set forth by Premier Zhao Ziyang, we must build the rural areas of the open economic zones into Guangdong's modernized agricultural demonstration areas and export bases for farm and sideline produce and

foodstuffs. We must try by every means to expand the export of manufactured goods, particularly textile and light industrial products, and gradually promote our sales in the international market. We must also vigorously export labor services and create more foreign exchange for the state through various channels. Meanwhile, we must transfer the imported technology and management experience to the interior, provide more new products for the domestic market, boost the market, and offer more accumulated funds for the construction of the state. We must correctly implement the open-door policy and strengthen the building of spiritual civilization, so that the open economic zones can give full play to their demonstrative role to the outside and enhance China's political and economic influence and attractiveness in the international arena. We must promote reform and the open-door policy gradually from the coastal areas to the interior in a rolling manner conforming to the following pattern: Special economic zones--open cities--open economic zones--interior. We must establish Guangdong's open coastal zone which extends from Shantou in the north to Zhanjiang in the west and to Sanya in the south, built it into an open, modern, and civilized rich area, and make greater contributions to the building of the four modernizations of the whole province and nation.

We must continue to develop foreign trade, expand external economic and technical exchanges, and do well the work of importing advanced technology. All cities, prefectures, counties, departments, and enterprises should strive to fulfill their 1985 export quotas. We must make a further success of the reform of the foreign trade system, strengthen management over import and export, consolidate enterprises, improve operation and management, earnestly implement the licensing system for import and export, strengthen control over quotas, and fulfill the task of expanding export and creating more foreign exchange. In importing advanced technology and equipment, we must make overall plans. On the basis of maintaining the overall balance of foreign exchange, domestic funds, raw and semi-finished materials, and energy, it is necessary to make a success of trade planning and rational distribution, strive to improve the technological level, and attain better economic results. Under no circumstances should we blindly import duplicates, regardless of the overall situation. Foreign economic activities should be closely linked with Guangdong's economic construction.

Developing tourism is an important component part of Guangdong's work to open to the outside. We must create better conditions for tourism and attract more visitors from abroad, Hong Kong, Macao, and the interior. Overseas Chinese and compatriots from Hong Kong and Macao are an indispensable vital force in Guangdong's socialist construction. The governments at all levels must attach great importance to the work concerning Chinese nationals living abroad. The most important task at present is to continue to implement the policy on the residential houses of overseas Chinese and to withdraw from the houses occupied.

While implementing the open-door policy, it is necessary to do well the work of opening the other parts of the country. We must unclog the channels, make use of the industrial basis, materials, natural resources, and other advantages of the interior to complement Guangdong's short points, benefit each other, and develop together. We must vigorously develop economic and technical

connection network among enterprises and regions, so as to combine the imported advanced technology with the industrial basis and funds of the interior and produce practical results. All cities, prefectures, and counties should vigorously follow the road of cooperation and combination in light of their own circumstances and particularly attach great importance to the work of supporting the counterpart organizations in the mountainous and minority nationality areas.

/3. Continue to overcome the weak links in the national economy and enhance the staying power of economic development./

We must make use of the favorable conditions created in the course of reform and implementing the open-door policy to overcome the weak links in Guangdong's economy.

First, we must accelerate the building of energy, transportation, and communications facilities. Following the completion of the 200,000 kw generating unit in Shaoguan power plant, the Guangxi power network project, and the Hong Kong two-way transmission line this year, they will supply Guangdong with electricity. We must accelerate the construction of the nuclear power station and the power plants in Shajiao and Haikou which have already started. We must also step up the preparatory work of the power plants in Huangpu, Zhanjiang, Shantou, and Mexixian. Meanwhile, we must continue to exploit a number of medium and small hydropower stations. We must strive to relax the strain on Guangdong's power supply before 1990. We must strengthen management, tap the potential of the existing power plants, and strive to generate more power. According to the plan, the power generated in 1985 should increase by more than 5.3 percent over last year. We must enforce planned consumption of electricity and strengthen management over power consumption. While economizing on electricity, we must strive to increase the output of industry and agriculture.

According to the progress of the plan, we must, in 1985, complete the construction of Hengyang-Guangzhou and Guangzhou-Shenzhen multiple track railway lines and Sanmao railway, renovate the highways leading from Guangzhou to other parts of the province, facilitate passage, and solve the problem of traffic congestion as quickly as possible. We must step up the reconstruction of the Guangzhou-Shenzhen-Zhuhai and Guangzhou-Foshan expressways and main highways and the preparatory work for the construction of the Jiujiang bridge. Meanwhile, we must pay attention to the construction of the coastal ports and the realignment of the Xijiang River. We must speed up the reconstruction and expansion of the Baiyuan airport in Guangzhou and the airports in Haikou, Shantou, and Sanya.

In the building of communications, we must, on the basis of popularizing and enhancing the efficiency of the automatic telephone system in the urban areas of the whole province, increase the number of long-distance telephone lines within and outside the province. In 1985, the province will install 100,000 new automatic telephones in the urban areas, an increase of around 100 percent over the number installed last year. Of these, we must ensure that the

26,000 self-programming switchboards installed in Guangzhou are put into operation before June. We must complete the construction of the Beijing-Wuhan-Guangzhou medium-sized concentric cable and the Guangzhou-Haikou microwave projects. We will install 1,000 new long-distance communication lines within Guangdong so that the automatic telephone system can be established between Guangzhou and the major cities of other provinces, between some cities and prefectures within Guangdong, and between some cities and counties within the Zhujiang Delta.

We must continue to muster funds through various channels and methods for the construction of energy, transportation, and communications. In highways, water transport, and posts and telecommunications, we must continue to implement effective measures for highways, ports, bridges, and posts and telecommunications to support themselves.

Second, we must speed up technical transformation and technical progress of the existing enterprises. We must conscientiously implement the Provisional Regulations of the State Council on Certain Policies for Promoting Technical Progress of the State-owned Enterprises. The focus of this year's technical revamping is to complete the projects already approved and bring about practical results as quickly as possible. Where conditions permit, we must pay attention to the auxiliary items and working procedures of the projects. In light of their own capability, all localities should arrange their projects well in order of urgency and importance, give priority to the projects that can bring about better results and create more foreign exchange, and enhance the overall productive capacity and attain better economic results as quickly as possible.

In the next few years, we will exploit and build a number of new and developing industries. They include the electronic computer industry, bioengineering, new materials, and so on. We will build factories for manufacturing integrated circuits and microcomputers on a large scale and initially establish our electronic industry based on microcomputers and large-scale integrated circuits, that can match the advanced level within the country. We must set up the Guangzhou bioengineering exploitation base and the Jiangmen 10,000-ton unicellular protein experimental plant which combine science with economy, establish the Guangzhou Wushan scientific and technological exploitation area and the Hainan coastal resources exploitation base, and improve Guangdong's scientific and technological level.

Third, we must develop education and vigorously train talented people. On the basis of the 14.85 percent increase in 1984, this year's expenses for education will increase by another 8 percent (excluding this year's wage readjustment), accounting for over 20 percent of the financial resources that can be allocated by the province in 1985. However, this is still far from meeting the demands. With the increase of revenue and extra-budgetary funds, expenses for education and exploiting intellectual resources will gradually increase in the future. In training people, we must combine regular education with part-time education and enrollment with training classes, run various kinds of schools, pool funds through various channels, and stress quantity of the premise of improving quality. We must tap the potentials of the existing institutions of higher learning to expand enrollment and train talented people

urgently needed for Guangdong's economic construction in a planned manner. We must vigorously develop adult higher education, continue to run television and radio college courses, evening schools, and part-time colleges for workers and managerial personnel well, and encourage the self-study program. We must strive to make a success of the reform of secondary education, develop special secondary schools and technical schools, and vigorously develop nonresident vocational secondary schools, which will not be responsible for placement. We must continue to encourage schools run with funds donated by overseas Chinese. In training people, we must start from primary schools and popularize elementary education as quickly as possible, particularly elementary education in the economically backward areas. We must train teachers for all kinds of schools, enhance their ability, and improve the quality of teaching. We must import advanced science and technology and invite management personnel of other countries to work in China by giving lectures, carrying out academic exchanges and technical cooperation, and so on.

Fourth, we must help the mountain areas transform hills and tame rivers, turn poverty into prosperity, and revitalize their economy. This is not only the strong desire of the people in the mountainous areas, but it is also an important measure to maintain the sustained the balanced development of the economy of the whole province. To this end, the provincial authorities have formulated a series of preferential policies to support the mountainous areas. All localities and departments should earnestly implement these policies. At present we must implement the policy on forests in an all-round manner, resolutely delegate the decisionmaking power of forest management to the peasants, and fully arouse the initiative of the peasants for exploiting the mountainous areas. We must continue to readjust the production structure of the mountainous areas, accelerate the production of forests, fruit, tea, medicinal herbs, and plant-eating animals, and develop the processing of forest produce and by-products, so that a small-short-more production setup can gradually take shape. Meanwhile, we must do a good job of water conservancy work and prevent soil erosion. We must help the existing enterprises in the mountainous areas carry out technical transformation, gradually transfer the advanced technology of the open coastal areas to the mountainous areas in a planned manner, and support the mountainous areas in improving their technological level. Based on the principle of equality and mutual benefit, we must help the mountainous areas exploit their natural resources and speed up their construction.

Strengthen Supervision Over Economic Management, Enforce Discipline and Law, Consolidate and Develop the Favorable Situation

Aiming at the problems unfavorable to reform, the open-door policy, and economic development which exist in the course of advance, the national conference of governors and the Third Session of the Sixth NPC held early this year stressed the principle that reform and opening to the outside should be carried out simultaneously with strengthening management. While unswervingly implementing the open-door policy, instituting reforms, enlivening the domestic economy, and expanding foreign economic trade and technical cooperation, it is necessary to strengthen supervision over economic management and to use

scientific management to guide, promote, and ensure reform and the open-door policy. In accordance with this guiding ideology and the relevant stipulations of the State Council and in connection with Guangdong's actual situation, the provincial government has adopted a series of measures to strengthen supervision and enforce discipline and law and has achieved initial results. Facts have proved that effectively strengthening supervision over economic management is an important guarantee for Guangdong to further carry out reforms, implement the open-door policy, invigorate the domestic economy, and consolidate and develop the favorable situation. To this end, we must do well the following:

/1. The governments and economic management departments at all levels should place the work of strengthening supervision over economic management at the top of the agenda./ The departments of planning, statistics, auditing, foreign economic trade, industrial and commercial administration, finance, taxation, pricing, and labor and wages in particular should give full play to their functional role. We are now confronting a comprehensive and thorough-going economic reform. It would be impossible to make a success of it without a fine social environment characterized by stability and unity and without a fine social order in which everyone abides by discipline. Reform, opening to the outside, and invigorating the economy on the one hand; and management, institutions, and discipline on the other hand are the two factors which complement each other. By emphasizing management, we do not mean to "restrict" or to follow the beaten track. Under the new situation and with the reform of the economic structure focused on the urban economy developing in depth, we must gradually establish a set of management systems and methods that correspond with reform and opening to the outside. This is a brand new topic. Leading cadres at various levels, all departments, and the broad ranks of cadres should make explorations, gradually accumulate experience, and write this essay well. We must correctly handle the relations between macroscopic and microscopic control, between the whole and the part, and between the long-term and immediate interests in reforming and readjusting the economy and in the fields of production, distribution, exchange, and consumption, and gradually establish a full set of management systems and methods that correspond with the new situation.

/2. We must be good at applying economic administrative, and legal means; carry out close cooperation and strengthen management; and ensure the implementation of state principles and policies and the smooth progress of reform and opening to the outside world./ Socialist economy is a planned commodity economy based on the public ownership. Only by consciously applying and following the law of value, giving full play to the role of economic levers and market regulation, and vigorously developing commodity production and exchange can we invigorate the economy and urge all enterprises to improve their efficiency, carry out operation and management flexibly, and meet the complicated demands of society. It is the main aspect in strengthening management to correctly apply economic means and strengthen supervision over economic management. Administrative management is the indispensable means for the state to exercise management and supervision over the economy. In order to prevent blindness in the development of the socialist commodity economy and to ensure the coordinated development of the national economy, we can neither rely

merely on administrative means and mandatory planning to manage the economy, nor neglect the role of planned readjustment, guidance, and administrative management. The principles and policies of the state embody the will and fundamental interests of the people and reflect the management function performed by the state. The governments at various levels and all departments and units should resolutely implement the principles and policies of the state. In the course of implementation, we must concretely analyze "adaptation." With regard to matters of overall importance, we must follow the unified policies of the state. All units and individuals must strictly abide by the policies and no localities, departments, or units have the right to make any adaptations. With regard to some concrete stipulations which do not affect the overall situation, adaptations can be made in line with the actual circumstances of each locality. Nevertheless, the purpose of making adaptations is to practically implement the policies. It is impermissible under discipline and law to unscrupulously make money regardless of the policies under the disguised form of adaptation.

While strengthening economic and administrative management, we must, through constant practice, define the mature, stable, and effective policies and management systems and methods in terms of law, work out economic laws and regulations, perfect economic legislation, and strengthen the socialist legal system so as to suit the needs of reform and opening to the outside world.

/3. At present the stress of strengthening supervision over economic management should be put on the following:/

1. Firmly control the amount of cash in circulation and speed up withdrawal of currency from circulation. We must firmly control the total amount of credit and earnestly strengthen management over credit. The banks should properly allocate funds and grant loans strictly according to the policies and stipulations. Instead of imposing uniformity on everything, they should give support or exercise control accordingly. They should neither recklessly grant loans in violation of policies, nor indiscriminately place restrictions and checks, irrespective of the normal needs of production and circulation. We must strictly control the growth of consumption funds. The practices of readjusting wages and issuing subsidies for length of service and subsidies appropriate to posts and particular jobs of one's own accord, in violation of the stipulations of the state and province, must be curbed. In this respect, the banks have the right to refuse payment. Leading cadres and financial personnel of the units concerned should bear the responsibility for practicing fraud, illegally getting money, and indiscriminately issuing bonuses and subsidies in cash or kind under all sorts of pretexts. We must cut down administrative expenses and curtail group purchasing power. Without approval from the authorized departments, no administrative units, enterprises, and institutions must be allowed to purchase those commodities controlled by the state. We must strengthen management over cash, regularly conduct overall inspection over the implementation of cash management, and resolutely straighten out the erroneous methods of cash management.

2. Strengthen management over the use of foreign exchange. We must conduct investigations on the use of foreign exchange and maintain overall balance.

We must strengthen management over the application for opening foreign exchange accounts and prevent waste of foreign exchange by blindly importing goods from other countries. Reselling of imported goods and foreign exchange and circulation of foreign currency must be strictly prohibited. We must strengthen out and strictly control the range of use of foreign exchange coupons. Without approval, units must not be allowed to engage in businesses concerning foreign exchange coupons. Preferential prices set in violation of stipulations, and widening price differences between foreign exchange coupons and renminbi on one's own initiative for commodities must be prohibited. Those who refuse to correct their mistakes after repeated admonition will be deprived of the business of dealing in foreign exchange coupons. The departments of public security, industrial and commercial administrative management, customs, and foreign exchange management must strengthen cooperation, closely coordinate with each other, and seriously examine and resolutely ban the illegal activities of reselling foreign exchange.

3. Strengthen supervision and management over prices. The major price reform measures and price adjustments for major commodities must be carried out in accordance with the plans of the State Council and the provincial government. Localities and departments must not overstep their authority and act as they please. We must prohibit the practices of willfully increasing the prices of various goods by a big margin in violation of the state stipulations and take measures to resolutely curb the practices of indiscriminately raising prices or forcing prices up in a disguised form by state-owned industrial and commercial enterprises. We must strictly follow the prices fixed by the state for the means of production and subsistence and for relevant charges, and never try to change them of our own accord. The planned commodities must not be sold at high prices under any disguised forms. We must curb the unhealthy practices of selling inferior products as good ones, giving short measure, making products impure by adding inferior substances, and exacting charges under all sorts of pretexts. The prices of retail commodities and various service charges should be clearly marked. All charges on noncommodity items must be approved by the professional responsible departments at various levels. The money collected should go to the public and should not be distributed among individuals under any pretext. Reselling of bills of lading and ration tickets for planned commodities must be prohibited. We must also ban making exorbitant profits by means of reselling those commodities in short supply. State commerce, supply and marketing cooperatives, and materials departments should give full play to the role of the main channel, take an active part in market regulation, and undertake the responsibility of keeping prices down and maintaining balance between supply and demand. Units and individuals must not be allowed to run wholesale businesses in major means of production and durable consumer goods in short supply without authorization. Illegal practices of indiscriminately raising prices, forcing prices up in disguised forms, and exacting charges must be sternly dealt with. The departments responsible for professional work and the price departments at all levels should exercise management and supervision over various prices and charges. We must strengthen the price management organs. The departments not responsible for pricing have no right to examine and approve the commodity prices and charges that are under state control. The departments of price, industrial and commercial administrative management, taxation, banking, and auditing should closely coordinate with each other and make joint efforts to properly control the market prices.

Meanwhile, we must give full play to the role of consumers' councils and the mass price inspection organizations, and encourage the masses to exercise supervision over prices.

/4. Continue to strengthen out all kinds of new unhealthy tendencies./ The favorable situation in Guangdong at present is the result of reform and the open-door policy carried out in recent years and the efforts made to arouse the initiative of the broad ranks of cadres and masses. New problems and circumstances are bound to emerge in the course of reform and opening to the outside world. We must adopt a prudent attitude so as to prevent grave mistakes. We must not attribute the unhealthy tendencies to reform and the open-door policy, which may consequently [word indistinct] our determination and confidence in reform and opening to the outside world. Facts have proved that we have pushed reform and the open-door policy forward in the course of studying and solving the new problems. We must believe that the majority of the cadres and masses are willing to make a success of reform and the open door policy. The mistakes and shortcomings can be solved so long as we give proper guidance, sum up experience, and adopt appropriate measures. In straightening out the new unhealthy tendencies, we must first solve the problem of understanding of the leading cadres at all levels. By conscientiously studying and understanding the instructions of the CPC Central Committee, we must deepen the understanding of the leading cadres and staff members on the seriousness and harmfulness of the unhealthy tendencies and heighten their awareness in resisting the unhealthy tendencies. We must raise taking the interests of the whole into account, proceeding in everything from the four modernizations, and exemplarily implementing the principles, policies, and decrees of the party and state so as to maintain unity with the CPC Central Committee. We must resolutely implement the various stipulations of the CPC Central Committee, the State Council, and provincial government on checking the unhealthy tendencies, earnestly strengthen organizational discipline, and enforce discipline and law.

We must correctly implement the policies, encourage healthy trends; and straighten out the unhealthy tendencies. In the entire course of reform and opening to the outside world, we must take note of protecting the enthusiasm of the vast numbers of cadres and masses. We must commend, reward, and promote the outstanding cadres who can make thorough investigations and studies, dare to proceed from practice, seriously study and practically solve new problems, sum up new experience, observe discipline, work hard, have ability, and make contributions to reform and the open-door policy. We must protect and support all personnel who dare to expose and resist the unhealthy tendencies. We must make concrete analyses of all unhealthy tendencies, draw a clear line of demarcation in applying the policies, and handle them in a practical manner. As for people who made mistakes for lack of experience, we should help them deepen their understanding. Where a unit or small group has obtained gains by illegal means, the ill-gotten income should be confiscated and, in serious cases, due punishment meted out to those responsible. As for those who violate the law and discipline and engage in embezzlement or other malfeasance for selfish ends by taking advantage of reform, we must in no case tolerate them, but must investigate their cases and have them severely punished.

15. Continue to crack down on serious economic and other crimes./ We must take measures to improve social order centered on ensuring reform, the open-door policy, invigoration of the economy, and the building of socialist spiritual and material civilization. All economic management departments concerned should strengthen supervision and fight against the practices that violate financial discipline and law. The public security and judicial organs, the people's armed police, and propagation, press, culture, and publication units should publicize and strengthen education in the legal system; resolutely ban and crack down on the criminal activities of gambling, prostitution, giving reactionary and pornographic video shows, selling pornographic pictures and books, smuggling, and disrupting the financial market; ensure stability in economic construction and people's life; and strive to effect a turn for the better in social order.

We must continue to strengthen the building of socialist spiritual civilization. We must enhance ideological and political work under the new situation, adhere to the four cardinal principles, uphold the policy of plain living and hard struggle and building up the country with industry and thrift, correctly publicize the principles concerning opening to the outside world and reform of the economic structure, and properly handle the relations between the state, the collective, and the individual. All government functionaries should carry forward the fine style of wholeheartedly serving the people, daring to make self-sacrifice, and honestly performing their duties. We must continue to carry out the activities of "five stresses, four beauties, and three loves" and the army-people jointly building civilized units (factories, schools, neighborhoods, and shops). We must strengthen cultural buildings, correctly lead the masses in consumption, guide the masses in carrying out healthy and proper amusement and sports activities, enrich the culture and art life in the urban and rural areas, vigorously advocate and publicize communist morality, and conscientiously resist the corruption of decadent bourgeois ideals. We must educate the people, the young people in particular, train a generation of socialist new people who have lofty ideals, morality, better education, and a sense of discipline, wholeheartedly carry out the four modernizations, and further consolidate and develop the political situation characterized by stability and unity.

Fellow delegates,

It is an opportune moment for us to forge ahead in reform and to revitalize the economy. Under the leadership of the CPC Central Committee, State Council, and provincial CPC Committee, let us unswervingly and prudently march forward along the road of building socialism with Chinese characteristics with full confidence and make new contributions to the revitalization of Guangdong and China!

CSO: 4006/717

ECONOMIC PLANNING

IMPORTANCE OF REFORM TO PLANNING SYSTEM DISCUSSED

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/Article by Cai Ninglin /5591 1337 2651/: "The Planning System Must Take the Road of Reform and Opening to the Outside World--Speech at the National Guidance Plan Discussion Meeting"/

/Text/ I. Taking the Road of Reform

Comrade Deng Xiaoping said in June 1984: We are now on the right track, our policy will not change. These two remarks can generalize the current situation and the trend of development of our country at present.

The road China is now taking was gradually put on the right track after groping for 30 years since the founding of New China, encountering many setbacks and meeting with numerous rebuffs in real life and after taking many detours theoretically and eliminating chaos and restoring order and following the principles of emancipating minds, seeking truth from facts and proceeding from realities in everything in the wake of the 3rd Plenum of the 11th CPC Central Committee held in December 1978. This road, in the simplest language, is a road of integrating the fundamental tenets of Marxism with China's actual conditions in pursuit of socialist modernization and a road of bringing about socialism with Chinese characteristics through self-perfection and development of the socialist system.

Our motherland is going through a flourishing age of great transformation and development. The socialist undertakings are thriving. More and more people at home and abroad have realized that by following this road, the country will thrive and prosper, the people will become well-to-do and happy and the Chinese nation will be invigorated.

The characteristic of this road is reform. A responsible comrade at the central level recently made remarks that several years ago we made a living by eliminating chaos and restoring order, now we should make a living by introducing reform. Reform does not mean only reform of some working methods and systems. The reform we mentioned here should

be perfected by coping with such a basic question as the development of productive forces. The objective of the reform is to promote industrial and agricultural development, advance economic development and accelerate the process of the four modernizations.

Reform itself is a revolution, we should keep it alive in our minds. We must change those extremely obstinate and terrible forces of habit that have been shaped for a long time and break through those outmoded rules and regulations that have been shaped for a long time and hampering the development of the productive forces. To develop our economy, make our people well-to-do and invigorate our country, we must quicken the pace of reform and carry out overall reform in various spheres in an organized, guided and planned manner. The planning system is the core of the economic management system, if the reform of the planning system is not done well, neither can other economic systems be reformed too well nor could they play their role even if they were reformed. The reform of the planning system, therefore, must march in the van of other structural reforms or at least keep in synchronous steps with them. To reform the planning system well, we must have a thoroughgoing revolutionary spirit and bring about a great transformation in theory as well as in practice.

China's planning system was basically copied from the Soviet Union in the 1950's, and even through we have carried out reforms on several occasion, we have not rid ourselves of the original set pattern. This set pattern represents Stalin's theory of the planned economy of products. For over 30 years, it has negated the role of the law of value and denied the means of production as commodities. It has taken root deep in the minds of our economic workers and the traditional concept of a product economy has always fettered us. Not knowing that full development of the commodity economy is the indispensable stage of social economic development and the essential condition for realizing our country's economic modernization, many people have always associated commodity production, whenever it is mentioned, as development of capitalism. The many correct propositions put forth by Comrade Sun Yefant /1327 0396 2455/ as early as more than 20 years ago, such as using the law of value and measuring the performance of an enterprise by the profits it makes, were vilified as revisionist fallacies during the 10 chaotic years and subject to ruthless blows. It pains us to think about this incident. However, history has passed its impartial judgment and the 3rd Plenum of the 11th CPC Central Committee has in its communique reached a correct conclusion on these theoretical issues. It has thus opened a new page of economic structural reform and pointed out the orientation and new road for planned reform.

At present, as the economic situation develops, the defects of the planning system has become more and more evident. They are expressed chiefly in the following several areas:

1. Overly rigid and excessive control. An excessively large proportion of mandatory targets and mandatory targets with excessive emphasis on material things in kind handed down to enterprises have bound enterprises hand and foot, not only hampering the play of enthusiasm in all quarters but also impeding our effective control of major issues.

2. Eating from the same big pot and dislocation between input and output as expressed in the lack of the sense of input and output, the sense of capital turnover and circulation of goods and materials and the notions of foreign exchange rate, tax rate, interest rate, profit and terms of effectiveness; neglect of economic information and market forecasts; the habit of rushing headlong into mass action to follow the fashion, and emphasis on the whole year's work in "contending" and keeping busy "contending" all year round with very few people from top to bottom taking an interest in the economic results after the contention is won.

3. The habit of managing the economy by administrative orders and administrative measures, looking on enterprises as an appendage to enterprises. This has thus weakened the function and position of enterprises in the socialist national economy, constricted the initiative, enthusiasm and creativity of enterprises and deprived our economic cells--enterprises--of life and vitality, thereby greatly hampering competition and the pursuit of technological progress. As I recall, at a symposium on economic theory called by the State Planning Commission in 1981 attended by comrades Xue Muqiao /5641 2550 2890/, Qian Junrui /6929 0193 3843/, Qian Xuesen /6929 1331 2773/ and Ma Hong /7456 3163/, Comrade Huan Xiang /1360 6763/ told a story. When he was visiting the United States, he asked an American scholar a question: The United States has a history of only a couple of hundred years, why is it that its economy and technology develop so fast? Why is China with several thousand years of history technologically backward and sluggish in development? To which the American friend gave a very frank and incisive answer: Because in China an enterprise has no power and has to take orders from a superior department including orders regarding variety, quantity, price and sales of products, in other words, the economic cells are in an inflexible state bordering on life and death; in the United States on the other hand, factory managers have the final say in enterprises, competition among enterprises is fierce; in a situation in which big fish eat small fish, many enterprises close down each year, but more enterprises crop up and develop also. The survival of the superior and the elimination of the inferior have promoted fast technological progress and economic development. In other words, the American economic cells are constantly undergoing a process of metabolism and are strong in competition. I think, the simplification of cells administration, delegation of power and separation government from enterprise functions and the expansion of the decisionmaking power of enterprises that we emphasize today are precisely for the purpose of solving this contradiction and enhancing the vitality and self-developing capability of enterprises.

4. Irrational price system. Owing to the neglect of the role of the law of value for a long time in the past and other historical reasons, many comrades have interpreted the stabilization of commodity price as a price freeze, thereby causing increasingly serious deviations of price from value. As a result, the state has to carry heavier loads in various forms of price subsidies. Since the price of many commodities can reflect neither value nor supply and demand relations, it has seriously restricted commodity production and exchange. In the meantime, prices and wages are not linked, the wages of workers and staff members do not increase steadily with the rise in the national income nor have they been readjusted in a planned manner with the changes in the price index of the basic consumer goods for daily use thereby directly affecting the rise of the people's living standard. Without reforming this kind of irrational price system, it will be impossible to correctly assess enterprise effectiveness in production and operations, ensure smooth interflow of goods and materials between the urban and rural areas, promote technological progress and rationalize the production mix and the consumption pattern. It will create a series of problems and difficulties in applying various economic levers and macroeconomic control, thus resulting in a tremendous waste of social labor and making it difficult for us to carry out the guidance plans.

5. Domestic economy and overseas economy do not come into contact. We do not know how to utilize the two kinds of markets (three kinds of markets, domestic, international and SEZ, actually exist in Fujian and Guangdong), the two kinds of resources and the two kinds of economic levers and have not mastered two sets of skills.

6. Barriers between different levels and departments and between regions. Horizontal economic relations are lacking between regions and professions and trades; feudal and small-scale production influence is very deep-rooted, seriously impeding the development of the commodity economy, and we still have not mastered the use of economic levers in regulation.

7. Planning methods and means are primitive and backward. They cannot cope with the needs of modernized economic construction.

How to reform? The general objective is that through reform, the state will exercise effective control of the macroeconomy while allowing flexibility on minor and microeconomic issues. Uniformity and flexibility and universality and peculiarity must be properly integrated. The role of value indices and economic means must be given prominence and economic levers must be used more often in economic management so as to give broader play to the law of value. The specific opinions are:

1. Planned management must break through the traditional fetter of a products economy and shift from giving priority to direct control of material things in kind to indirect control of the forms of value so as to gradually reduce the scope of mandatory planning and enlarge the scope

of guidance planning. For the present, it is necessary to reduce the scope of mandatory planning with the products index as the main feature and gradually expand the scope of guidance planning and market regulation so as to cope with the current demands for multiple layers in productive forces and manifold economic forms.

2. Planning should be based on the utilization of the law of value. It is imperative to gradually readjust the pricing system and strive to resolve the phenomenon of price deviating from value. Production conforming to the demands by society should be ensured a normal profit and financial means should be used as necessary to subsidize products urgently needed in the market so as to ensure a smooth production process.

3. The role of economic levers must be strengthened. Economic levers must be managed by levels to closely integrate guidance planning with the comprehensive application of economic levers. I think coordination and balance between economic planning and economic policies and between economic decrees and economic levers are a most important overall balance for strengthening macroeconomic management and ensuring a sustained and steady development of the national economy. Planning departments at all levels must see to it that this is achieved. The application of economic levers should become an important component part of the state planning. To use economic levers well, we must accelerate construction of a network for planned forecasts and economic information. In particular, attention should be paid to giving full play to the function and role of the banks and applying the credit lever more often so as to more ingeniously set the banking machinery in motion. In the meantime, I fully endorse Comrade Liu Suinian's /2692 7151 1628/ viewpoint, to make guidance planning a success and apply economic levers effectively, we must have the backing of a certain material means and actual strength (foreign exchange and financial and material resources), this goes for the State Planning Commission and the provincial planning commissions as well, otherwise, it will be very difficult for guidance planning to genuinely play its role.

4. The state exercises control over the major issues while allowing flexibility on minor ones. The scale of the state investment in capital construction and the scale of the consumption funds must be adequately controlled to guard against runaway investments and swelling consumption.

5. Reform in the circulation sphere should be carried out in a conspicuous way so that the means of production can enter the market in the form of commodities to promote the development of production.

However, I feel that the opinions for reform in these five areas are primarily directed at the above-mentioned defects of the planning system still without making any important breakthrough. To bring about an important breakthrough in the reform of the planning system, an open door policy is necessary to effect our reform in depth.

II. Taking an Open Door Road

Comrade Xue Muqiao pointed out in his speech on the 23rd /month and year not given/, the current planned management system is a system patterned after the Soviet modality, this system with administrative and regional barriers and without horizontal contacts is a closed management system. Commodity economy, on the other hand, requires open and horizontal and vertical contacts, it requires close contacts not only with various professions and trades and regions at home but also close international contacts. In Chinese history, there was a debate on military strategies between Su Qin /5685 4440/ and Zhang Yi /1728 0308/, one advocated vertical combination and other supported horizontal alliance. I am of the opinion that in our economic activities, especially in guidance planning, we should apply both strategies of vertical combination and horizontal alliance by strengthening horizontal economic contacts and coordination and at the same time sustaining vertical economic guidance and cooperation. If prominence is not given to the "opening door," the reform of the planning system cannot be done well. The basic spirit of the 3rd Planum of the 12th CPC Central Committee also gave prominence to "opening the door." The practice of opening to the outside world in Fujian in the past several years has proved that our existing "closed" planned management system is very inadequate. To open up the economy without opening up the system certainly cannot achieve good results. In implementing the guidelines of the 3rd Planum of the 12th CPC Central Committee, the Fujian provincial CPC committee had earlier given prominence to "opening the door," which means emancipation of the minds, opening up internally and externally, delegation of power to the lower level and relaxation of policies. We have delegated the power to examine and approve certain projects in foreign economic relations and achieved excellent results, but this is still not enough, we must continue to expand the decisionmaking power of localities and let them pursue their tasks boldly.

Through our conscientious study to the "Decision of the CPC Central Committee on Reform of the Economic Structure," we have further deepened our understanding and comprehension of the policy of opening to the outside world and concentrated our efforts on reform and to promote and uphold the open door policy and reform. It goes without saying that reform is a very complicated task and should be carried out in line with Comrade Chen Yun's demands: "Emancipating the minds, seeking truth from facts, probing continually and doing a solid job." This is particularly true when the planning system has a tendency of triggering a chain reaction in every move, thus reform should be carried out only when we are sure and we should conduct a thorough experiment if we are not too sure, just as Comrade Mao Zedong emphasized time and again that "We must put everything through an experiment." I think, to carry out reform of the planning system and implement an open system, Fujian is a more ideal base for experiment because Fujian has many special and superior conditions:

1. Fujian Province has its special geographical conditions. The northern part of Fujian is blocked by big mountains and its passage to the interior is the Yingtai-Xiamen railway line, and transport facilities are limited; however, it faces the East China Sea and communication with overseas is well developed. Fujian since ancient times has been an active region in the years when an open door policy was implemented and commodity economy is more developed there. Xiamen and Mawei ports in Fuzhou were the two major trading ports of the "five ports opened to commerce." Quanzhou was one of the world's famous commercial ports in the early Song Dynasty with good transport facilities. Economically prosperous and culturally developed, it established trade relations with more than 50 countries in the world and was the famous "silk road at sea." All these advantages, however, were turned into disadvantages in the past as a result of the military confrontation in the Taiwan Strait, the enemy's blockade and our own self-imposed closure of the country to international intercourse. Now the situation in Taiwan Strait has changed and that should and possibly will give full play to the advantages in this aspect.

2. Fujian is small province, a poor and backward province in the coastal region. Owing to historical military reasons, the state has invested very little over the past 30 years, the province has almost no modern industry and the foundation is weak. However, on the other hand, it has tremendous potentials for "painting a newest and most beautiful picture." For example, Meizhou Bay is a major southern harbor envisaged in Dr Sun Yat-sen's "General Plan for National Construction." It is an ice-free and silt-free harbor with a deepwater coastline of 18 km capable of providing passage for vessels of 100,000 tons; its land space is wide and open, Chinese and foreign experts unanimously agreed after inspection that it is a fine natural harbor, rare in the Far East, that can be comprehensively developed as a new industrial district into an industrial base for petroleum industry, deepwater wharf, harbor power station and ship dismantling for steel smelting and also into an important trading port for import and export trade with inland provinces such as Anhui, Henan, Hunan and Jiangxi. Steps should be taken to rapidly develop and utilize this precious resource. Meanwhile, the total industrial and agricultural output value of Fujian accounted for less than two hundredths of the national output; to conduct an experiment in this small and poor place is conducive not only to finding a new way to probe and accelerate economic development and popularize successful experience to the hinterland but also helps confine things proved unsuccessful in the experiment to a smaller scope. In this way, even if problems were to arise, the impact would not be too great nationally and the risk would be inconsequential.

3. Fujian has countless overseas ties. Particularly, it has 6 million overseas Chinese and foreign citizens of Chinese origin who love the country and their hometowns and cherish strong desires to make contributions toward changing poverty-stricken state of their hometowns as soon as possible. They can act as a go-between in developing the regional economy and importing advanced science and technology.

4. Fujian is one of the provinces which have implemented special policies and flexible measures. As we understand, its being "special" lies in the fact that in implementing special economic policies and a special economic management system, just as described by the central document, efforts were made to "increase the power of localities and open Guangdong and Fujian provinces more widely," /since/ "the economic structural reform being carried out in these two provinces is not only conducive to accelerating economic development in the two provinces but also conducive to promoting economic structural reform across the country." "Various departments concerned at the central level have looked upon these two provinces as experimental bases for economic reform." In "Certain Stipulations Concerning the Planning System" which the State Council transmitted to the State Planning Commission recently after writing down instructions, it was also clearly pointed out that Fujian, Guangdong and Xizang may carry out the reform of the planning system in accordance with the special policies of the central authorities. As for Fujian, nothing genuinely "special" has taken place in recent years as a matter of fact. In this aspect, it is because the old modality has struck root deep in our minds for a long time, our minds have remained fettered and we lack the dashing spirit to experiment and probe boldly. Another aspect is that certain departments of the central authorities do not recognize the significance of Fujian fully as an "experimental base." As a result, Fujian has neither been properly used to this day nor have steps been taken to experiment and probe economic structural reform boldly in Fujian; the habit of seeking uniformity in everything and overlooking the uniformity of flexibility and peculiarity of planning, as shown in the remarks in numerous documents that "No exception should be made for Guangzhou and Fujian," has virtually recalled the special and flexible power delegated to us by the central authorities. The blueprint for reform depicted by the 3rd Plenum of the 12th CPC Central Committee has displayed more clearly the spirit of opening to the outside world and carrying out reform domestically. Various departments of the central authorities are now accelerating the reform and we are more confident in upholding the policy of opening to the outside world and reform.

5. Facing Taiwan and close by Hong Kong and Macao, Fujian is an important region linking "one country, two systems." We should admit that due to the "left" influence for more than 30 years, the gap between Fujian's economy and that of Taiwan and Hong Kong has remained very great. Taiwan's import and export trade in 1983 amounted to \$5.4 billion while that of Fujian in 1983 totaled merely about \$500 million. Both shores of the Taiwan Strait are inhabited by Chinese people, with Taiwanese on one side and people from Fujian on the other. Moreover, the ancestors of the Taiwanese people were all people from Fujian. Fujian and Taiwan are as closely linked as flesh and blood, their habits and language are similar, having countless ties. Fujian, therefore, has the natural responsibility of developing "three communications" /san tong 005 6639, transportation and postal services, direct contact and academic, cultural,

sports and technological exchanges between two sides--translator/ with Taiwan. If we are willing to lag behind economically, it will naturally affect Taiwan's return to the embrace of the motherland. This is a cardinal matter having a bearing on the whole situation. A leading comrade at the central level pointed out: "The hope of Taiwan's return to the motherland and the reunification of the motherland rests with Fujian." Now, with the central policies striking root in the hearts of the people, more and more people among compatriots in Taiwan, including those important Guomindang military and government officials, are coming over to Fujian through various channels to find their roots and visit friends and relatives, seek shelter from typhoons and repair ships and engage in trade activities. If we still stick to the outmoded idea of "taking class struggle as the key link" as we did in the past, in managing the economy with a "left" vision and "left" methods and in establishing "three communications" with Taiwan, our policies are bound to "break our promise to the people" and to the compatriots in Taiwan, thereby hampering Fujian's economic development. The only correct way is to "open up" and let Fujian have more decisionmaking power and develop foreign trade and trade with Taiwan more extensively. In this way, Fujian's economy will certainly be developed very quickly and in the end will alleviate the state's burden in Fujian.

A great advantage unique to Fujian is its small volume of trade with Taiwan, which is also a supplementary way of implementing the trade policy between Fujian and Taiwan.

It goes without saying that to carry out reform, to open more extensively and develop trade with Taiwan involves the question of continually eliminating the "left" influence and destroying old habits. It is imperative to smash the shackle of leftist influence and the old force of habit.

Therefore I think that by fully utilizing Fujian's superior conditions and developing the experiment on the reform of the planning system, it will not only find a new road for the reform of the planning system across the country but also bring about rapid economic development in Fujian.

Opening to the outside world has become the tide of world economic development and an inevitable objective trend. Practices in many countries and regions over the world have proved that economy will eventually develop rapidly after the strategy of development is changed from a closed and introverted type to an open and extroverted type. Singapore is a tiny area, its economic level 20 years ago was about the same as our Xiamen. I visited there 2 months ago, and the impression it gave to people was that of a beautiful city, economic prosperity, political stability and good social order. It opened to the world boldly, on the one hand, and, on the other hand, it possessed a set of scientific management methods and a legal system stressing handsome rewards and heavy penalties. Most of the people in Singapore are people from Fujian,

then why is it that Singapore's economy has developed so rapidly and we are lagging so far behind? Is it because the Fujian people there are more clever than the native Fujian people? No. I think the important cause is that under the leftist influence, we were implementing a strategy of development for a long time by closing the country to international intercourse and struggling solitarily, thereby isolating ourselves and binding our own hands and feet. This should be summed up as a lesson learned. Numerous facts have proved that Singapore, South Korea, Brazil, Mexico, Hong Kong and other countries and regions achieved fairly notable economic results after adopting an "extrovert-type" strategy of development. a) High speed of economic development. From 1965 to 1979, the annual economic growth rate in general reached over 8 percent. From 1965 to 1973, Brazil and South Korea reached over 10 percent; Singapore and Hong Kong about 9 percent. b) Increase of national income by a wide margin. By the middle of the 1970's the per capita national income generally surpassed \$1,000, for example, in 1978, South Korea reached \$1,160, Singapore and Hong Kong reached \$3,290 and \$3,040, respectively, Brazil reported \$1,570 and Mexico \$1,290. c) Continual expansion of the foreign trade scale. From 1960-1978, the average annual growth rate was maintained at more than 10 percent in general. With the rapid development of the processing industry, the proportion of industrial products in total export volume also increased rapidly. From 1960 to 1977, South Korea increased from 14 to 85 percent, Singapore from 26 to 44 percent, Hong Kong from 80 to 96 percent. Therefore, we think that only by opening wider can Fujian's economy develop faster and only by opening wider can the management system of our socialist commodity planned economy become more compatible with the demands of the time.

III. For 5 years, the CPC Central Committee, the State Council and various departments have given tremendous support to Fujian in implementing special policies. Various departments have also done a great deal of work and achieved notable result. This result could have been more significant but the progress was slow due to uneven ideological understanding, the system and other factors. In connection with this situation, some comrades of organs under the provincial planning commission suggested that one important cause of the failure rests with not satisfactorily determining the theoretical basis for implementing special policies. If this theoretical question is solved, the people will achieve a unanimous ideological understanding and the difficulties will not be so burdensome. Some comrades suggested that since "Comrade Xiaoping's tentative concept of "one country, two systems" is an important theory for solving the Hong Kong and Taiwan questions in future, can we not say that the theoretical basis for implementing special policies in Guangdong and Fujian is a bridgehead for the "one country, two systems" concept linking the country with the outside world? If everybody understands this point, then implementing special policies means something genuinely special, not deceptively special or half special. I think these interpretations stand to reason. The "one country, two systems" theory for solving the Hong Kong issue has attracted worldwide attention and is

of far-reaching effects. It is accepted by the Chinese people, the authorities in Hong Kong and the Hong Kong residents. If our Fujian implements a special policy that is different from that in the hinterland and the characteristics of this policy are: the proportion of guidance planning and market regulation is larger than that in the hinterland, the economic policies are more relaxed than that in the hinterland, the composition of national capitalism and capitalism is greater, the decisionmaking power is greater, especially in developing trade with Taiwan, the limits are relaxed for the supply of export goods to Taiwan and the marketing of imported products, the limits confining it to provincial scope is broken down to help coordinate this portion of work in dealing with Taiwan so that the businessmen in Hong Kong and Taiwan dealing with us will not feel that we are rigid and inflexible, showing a long face in business transactions. In view of the above, I think it would be to the great advantage of our economic development and also greatly beneficial to our upholding of the "one country, two systems" policy. Therefore, I support this view and also hope that departments and theoretical workers concerned will look into this theoretical matter seriously.

Comrade Hu Yaobang recently suggested that our country and nation are facing the third takeoff, the goal, domestically speaking, is two great objectives: 1) the realization of the great reunification of the motherland and successfully solving the Hong Kong and Taiwan questions; 2) the quadrupling of the nation's gross annual value of industrial and agricultural production by the turn of the century. To achieve this goal, we should domestically invigorate the economy with courage and open wider to the outside world. We in Fujian hope to make still greater contributions in fulfilling these two great tasks, the quadrupling of the nation's gross annual value of industrial and agricultural production by the turn of the century and the return of Taiwan to the motherland. To this end, we must rely on the efforts of the 26 million people in our Fujian, emancipate our minds, strive for a long time to come and wage an arduous struggle; also we earnestly hope that we can count on more care, help and support from various departments of the central authorities and fraternal provinces, municipalities and districts so as to move our open door policy and reform forward along a healthy direction.

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ECONOMIC MANAGEMENT

1982-1983 MAJOR ECONOMIC RESULTS FOR 30 CITIES

Economic Results Discussed

Beijing JINGJI RIBAO in Chinese 14 May 85 p 1

[Article by reporter Yan Kalin [7051 0595 2651]: "Latent Potentials of Raising Economic Results in Cities Are Very Great, Important Links Are Reinforcing Enterprise Quality and Improving Management--Responsible person of Comprehensive Department of State Statistics Bureau Said in a Statement to Reporter"]

[Text] In connection with the publication of the 1982-1983 major economic result index in 30 cities, a responsible person of the Comprehensive Department of the State Statistics Bureau pointed out on 13 May in his statement to this reporter: Owing to different structures in industrial departments of various cities and also the difference in tax rates for various professions and trades and uneven productivity, objectively, incomparable factors existed. However, from statistical figures we can see that 1. in cities with similar conditions, the difference in economic results is quite big, 2. in spite of rising prices in energy and raw materials and higher wages for workers and staff members in recent years, some cities such as Qinhuangdao, Hohhot, Dalian, Changchun, Nanjing, Hangzhou, Wuhan, Chengdu, Chongqing and Yinchuan have still been able to raise economic results year after year and in many cities, last year's economic results were higher than that in 1982. All this has shown that the potentials of raising the economic results in cities are very great.

This responsible person also pointed out the many reasons that caused a drop in the economic results in some cities. For example, due to the extremely strained situation in energy and communication and transportation, the northeast, North China, East China and Central-south regions faced serious power shortage; as a result, some enterprises had been carrying out production weekly by "stopping three days and operating four days" with frequent turning off of switches to limit power use. Affected by price fluctuation, the cost of comparable products was overspent. According to the statistics of Tianjin, Shenyang and Guangzhou cities, of the total amount of the overspent cost of comparable products, 59 percent was affected by the factor of rising price of raw materials and fuel moving into the factories, of course, the poor quality of enterprises and lower management levels were

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also important factors for cost overspending. Because the relations between the state, the collective and individuals were not properly handled, while the full-member labor productivity and profits in some cities had increased, the amount of tax delivered in place of profit did not increase or increased very little. Last year, the amount of tax delivered in place of profits in Tianjin, Tangshan, Baotou, Chengzhou and Nanning cities dropped by more than 3 percent while the amount of profit retained by these five cities rose by 20.7 percent.

Input-Output Table

Beijing JINGJI RIBAO in Chinese 14 May 85 p 1

[Input-Output Comparison Table of 16 interior Cities and 14 Coastal Cities by Comprehensive Department of State Statistics Bureau]

[Text] City/Index	Tax from Profit Provided by Fund per 100 Yuan (Yuan)			Tax from Profit Provided by Original Value of Fixed Assets per 100 yuan (Yuan)			Full-member Labor Productivity (Yuan/Person)		
	1982	1983	1984	1982	1983	1984	1982	1983	1984
Beijing	35.2	35.1	35.7	33.3	32.4	32.7	17,293	18,297	19,934
Tianjin	37.2	36.1	32.6	37.0	35.7	32.6	18,830	19,899	21,889
Qinhuangdao	12.9	15.8	19.9	13.1	16.0	20.2	8,107	8,699	9,848
Hohhot	14.4	20.5	22.7	16.1	21.7	22.2	8,842	10,073	11,317
Shenyang	20.3	19.1	21.7	19.5	17.7	19.9	11,510	12,602	14,461
Dalian	34.8	35.3	37.8	31.8	32.0	34.3	18,080	19,418	22,461
Changchun	23.1	24.6	29.1	20.7	21.7	26.9	11,798	12,633	14,356
Harbin	15.4	14.8	16.4	15.0	14.6	16.2	10,377	11,158	12,308
Shanghai	87.6	73.1	72.9	91.5	77.1	76.8	28,176	29,497	31,212
Nanjing	28.2	29.2	33.6	26.5	26.8	31.2	15,812	16,138	18,837
Suzhou	37.8	34.4	33.3	43.7	39.6	36.7	16,246	17,371	19,533
Changzhou	35.7	34.7	34.5	42.3	37.9	36.5	23,594	24,488	25,859
Nantong	35.2	26.5	28.5	40.1	29.5	30.5	23,030	22,643	24,448
Lianyungang	25.1	27.1	26.9	27.1	28.4	27.7	8,849	9,707	11,025
Hangzhou	47.5	48.5	49.6	57.9	57.3	57.5	16,552	17,859	20,315
Ningbo	53.0	51.7	57.1	71.8	68.5	68.3	17,358	19,464	27,907
Wenzhou	13.8	17.0	16.3	16.7	19.1	18.0	8,843	9,698	10,969
Xiamen	44.1	38.9	44.8	62.0	53.9	63.1	14,885	15,319	17,806
Qingdao	41.0	40.1	41.7	40.3	38.6	39.7	16,869	17,432	18,679
Yantai	25.6	24.7	17.3	28.7	28.0	19.9	15,060	15,695	15,818
Weihai	27.4	20.7	20.1	33.3	27.0	24.8	14,760	16,652	16,852
Zhengzhou	31.8	31.8	29.2	33.2	32.0	29.0	14,063	14,274	14,091
Wuhan	18.4	19.4	21.4	18.7	19.5	21.3	14,986	16,100	17,298
Shashi	22.5	18.1	17.5	29.3	22.9	21.9	16,052	17,076	17,342
Zhanjiang	27.0	18.1	17.4	32.8	21.3	20.5	9,364	7,797	9,836
Beihai	9.7	12.9	10.2	10.6	13.8	10.7	7,230	7,420	7,879
Chengdu	16.9	22.2	23.3	17.6	21.9	23.8	11,079	12,194	14,667
Chongqing	17.8	20.6	22.4	17.2	19.2	21.8	10,156	11,391	12,650

Kunming	27.7	27.4	29.0	28.8	28.2	29.9	13,035	14,142	15,947
Yinchuan	7.8	12.6	14.6	8.2	13.3	15.3	8,317	10,165	11,422

Note: (1) Data do not include figures of counties under municipal jurisdiction
 (2) Data represent industrial enterprises with independent accounting system under ownership by the whole people.

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FINANCE AND BANKING

FEASIBILITY OF ESTABLISHING OFFSHORE FINANCIAL CENTER IN CHINA

Shanghai CAIJING YANJIU /THE STUDY OF FINANCE AND ECONOMICS/ in Chinese
No 2, 18 Apr 85 pp 68-69

/Article by Cai Changxue /5591 7022 1331/ Department of World Economy of
Finance and Economics College: "It Is Feasible To Establish an Offshore
Financial Center in China"/

/Text/ Numerous articles have discussed the question of establishing an international financial center in China recently. However, there are many types of international financial centers, which kind should our country use for reference? Practically no one has mentioned this point. Generally speaking, international financial centers may be roughly divided into global financial centers which undertake comprehensive operations by combining domestic and foreign operations into one entity; and regional financial centers which specialize in offshore financial operations separating domestic from foreign operations. In the light of the current situation in our country, it seems impossible to form a global financial center. The three main reasons are as follows: 1) Our country still does not have available foreign exchange, currencies, capital and a gold market of its own, without the coordination with the domestic financial market, it is impossible to establish this type of international financial center; 2) foreign exchange control cannot be completely relaxed or abolished within a short period of time and on a large scale; 3) the nonexchangeability of RMB is also a restrictive factor.

What is offshore financial operation? What is an offshore financial center? Precisely speaking, offshore operation is a modern internationalized financial operation which emerged after the war. To use a common expression, it is an operation handling Eurodollars. Eurodollars means time deposits in terms of U.S. dollars in banks outside the United States which are principally used in bringing the funds together internationally through this "reservoir," the offshore financial center. Because the offshore banking operation is a kind of wholesale banking operation, it can easily be strangled by policies and decrees as well as taxation in any form. Therefore, typical contemporary offshore financial centers are all in narrow and small islands limited in territorial scope where all kinds of preferential treatments are offered by means of decrees, regulations and taxation to artificially encourage foreign banks to transact Eurodollars there by taking advantage of the situation to benefit themselves. Moreover, the funds of this type of

financial center are derived and used overseas with the centers themselves playing only an intermediary function as a third country. In principle, they prohibit funds from flowing into the domestic market so as to isolate the impact on domestic finance by the outflow and inflow of funds from overseas.

The writer of this article thinks that it is feasible for our country to establish an offshore financial center with separate domestic and foreign operations at the present stage because from a vertical point of view, the conditions for establishing various offshore financial centers are not beyond the following points: First, the policy of opening to the outside world and stable policies. The policy of opening to the outside world as a long-range national policy of our country and the "one country, two systems" concept as a brand new theory and the satisfactory solution to the Hong Kong question by China and Britain in practice have given our country an excellent reputation and image internationally. Second, abolition of foreign exchange control by permitting foreign-capital banks and nonresidents to freely engage in financial transactions. It is entirely possible for our country to abolish foreign exchange control within a small scope and by stages to facilitate the development of offshore financial operations. Third, developed infrastructures and complete communications network for financial information. The infrastructures and postal and telecommunications facilities in the SEZ's along our coastal regions have rapidly surpassed the old economic bases like Shanghai and others and are expected to approach the world's level in the near future. Moreover, there will not be many difficulties posed to giving preferential treatment in taxation, simplifying procedures for exit and reentry, and absorbing foreign capital for opening banks. However, these three basic conditions cannot be achieved within a short period of time. First, we lack specialized personnel to handle offshore financial operations; second, the promulgation of decrees on financial matters is not something that can be expected soon; last, we do not have internationally recognized accounting and legal offices to bring along related operations. It goes without saying that time difference and geographical location also constitute an important factor that should not be ignored.

The establishment of an offshore financial center in our country will be an unprecedented pioneering undertaking requiring extremely crucial preparations. The things we should do at present are: intensifying personnel training, conducting cost-effectiveness assessment and drafting international finance law. At the same time, it is imperative to conscientiously do a good job in picking the site for the offshore financial center, purchasing advanced computer communications equipment and quickening the pace of importing foreign capital to open up banks so as to gradually internationalize our financial operations. So long as we can achieve the above tasks, even though our country cannot replace Singapore and Hong Kong in financial position with the advantages of geographical location and time difference, the possibility of gradually developing our country into a regional financial center in the Far East exists.

Such being the case, why then is it necessary to establish an offshore financial center? What are the advantages of establishing an offshore financial center in our country? Since our country is so far lacking in funds, why still bother to establish this "foreign-foreign" type financial center? From the international point of view, the center of gravity of the world economy in the next century will shift to the Asian and Pacific region. As our country is sitting in the center of the Asian and Pacific region, besides striving to overtake the developed countries, we should also see to it that our finance will gradually move toward internationalization. By establishing an offshore financial center in our country, therefore, not only we can accelerate the training of personnel specialized in international finance and elevating our country's financial status internationally but also we can take advantage of the advanced operational skills and management experience of foreign capital banks and financial institutions and accelerate the formation and development of the domestic financial market by "using things foreign to promote things within." From the domestic point of view, our country still remains in a leap period of great economic development; the tertiary industry is relatively backward, becoming a stumbling block to vigorous economic development, and financial operation is a decisive component in the tertiary industry. Any breakthrough in financial operation, therefore, will bring along the development of other related professions and trades in the tertiary industry, such as accounting, lawyers, commerce, tourism and insurance, and through which it will promote high-speed growth of the entire national economy. Moreover, by establishing an offshore financial center, we can import funds nearby needed by wholly owned foreign enterprises, Chinese-foreign joint ventures and Chinese-foreign cooperative enterprises operating in our country, and other enterprises, including domestic enterprises which are in urgent needs of foreign exchange funds without having to go a relatively far away center to complete loan procedures. This way will avoid mounting inconveniences.

In short, the characteristics of the separation-type offshore financial center are that it carries out foreign operations with foreign resources without having to rely on the domestic financial market. This is compatible with the current situation in our country. In addition, the question of internationalizing RMB is completely nonexistent in our country; banks in our country doing foreign exchange business, such as the bank of China and the Industrial and Commercial Bank can freely join in the competition and learn, replenish and catch up with and overtake others in the course of competition so as to gradually build up the economic base needed for developing domestic finance.

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FINANCE AND BANKING

PAST, PRESENT, FUTURE OF CHINA'S BANKING DISCUSSED

Beijing JINGJI RIBAO in Chinese 22 May 85 p 2

[Article by Shang Ming [1424 2494]: "The Past, Present and Future of Banking in China"]

[Text] For more than 35 years since the founding of the PRC, our socialist finance which grows in step with our country's economic development has also made a contribution in developing the economy of our country.

I. Past: Since the founding of New China and up to the eve of the financial structural reform started recently, the People's Bank of China as the main body of socialist finance has always played a dual role: on the one hand, it is performing the functions of the central bank by issuing currency, controlling cash and foreign exchange, drawing up, organizing and executing credit plans and acting as an agent for the treasury, playing the role of macrocontrol and microregulation in the national economy especially in the financial sphere; on the other hand, it is performing the functions of a credit bank by developing savings business and extending credit in support of industrial and agricultural production and commodity circulation, playing the role of raising funds and bringing them together. The emphasis of the above dual roles, however, varies with different historical periods.

First, during the early period following the founding of New China (1949-1951), a tremendous victory was won in curbing inflation and stabilizing commodity prices. Second, during the period of socialist transformation of private enterprises (1952-1956), the transformation was successfully accomplished by means of credit and interest rate as a lever. Third, after the transformation of the private ownership of the means of production was basically completed in 1956, our country entered into the period of socialist planned construction.

II. Present: As our friends in the audience here know, our country started its economic reform in 1979. The main features of this reform are the relaxation of policies, the development of a socialist planned commodity economy, giving more decisionmaking power to the producers and operators and effectively tapping the production potential in the whole society. Comrade Deng Xiaoping suggested in October 1979: "To turn the banks into a lever of economic development and technological innovation, we must

run the banks truly as banks." Chinese banking has reacted quickly to the new situation arising from the reform, it has for 5 years carried out a series of initial reforms and experiments in office organization, funds control, currency policy, scope of credit, categorizing business operations and interest-rate mix and level as well in raising foreign capital, thereby laying the groundwork for overall reform of the financial structure.

Guided by the policy of "enlivening the domestic economy and opening to the outside world," notable results have been achieved in the reform and experiments. For 5 years, the financial business has been rapidly and steadily developing and the amount of deposits and loans increased by a wide margin, thereby solving the needs of funds for national economic development. However, the reform and building of the financial structure are still not perfect and control and regulation are still not fully exercised. For example, during the second half of 1984, particularly since the fourth quarter, due to the lack of tight control over credit funds and consumption funds, more currency was issued. This resulted in a certain market demand pressure and the price hike of some commodities as the increase in the amount of loans more frequently exceeded the planned norm within a short period of time. This warning signal reminded us once again how important it is to strengthen macrocontrol in the financial sphere in the course of economic reform and in a situation when all quarters are in need of more funds.

III. Future: The "Decision of the CPC Central Committee on Reform of the Economic Structure" adopted by the 3d Plenum of the 12th CPC Central Committee is the guiding principle of all our economic work from this time forward. According to the principles put forth in the "Decision," the work focus of the banking system in the next several years is to carry out the financial structural reform successfully, master the application of credit as an economic lever and give play to the macroregulatory role of the banks in a dynamic way. We hope to have a financial system in the near future that is effective in macrocontrol, flexible in microregulation and can be handled and used skillfully; we hope that financial centers of different scales will be gradually formed, with the central bank as the center, which will coexist with all types of financial institutions and be supported by cities.

Finally, a few simple words about the question of implementing the policy of opening to the outside world in the financial sphere. China needs an enormous amount of funds to achieve its goal of quadrupling the nation's gross industrial and agricultural output value by the turn of the century. With respect to raising construction funds, our aim is to gain a foothold in the country and also draw support from abroad. With the economic development and the objective needs in our country, the foreign-capital banks and banks under joint ventures especially those in the SEZ's have more opportunities to engage in financial operations, thus we anticipate further cooperation with international financial circles.

FINANCE AND BANKING

BANK'S ROLE IN PROVIDING CONSUMER LOANS DISCUSSED

Taiyuan SHANXI CAIJING XUEYUAN XUEBAO /JOURNAL OF SHANXI FINANCE AND ECONOMICS COLLEGE/ in Chinese No 2, Apr 85 p 51

/Article by Di Yuewen /5049 6460 2429/ and Wang Jinlong /3769 6855 7893/:
"Banks Should Provide Loans for Consumption"/

/Text/ Banks are a comprehensive department in the national economy. Bank credits are playing an extremely important role in national economic construction. However, over the years, bank credits in our country can only absorb savings deposits and extend circulating fund loans but dare not set foot in the consumption sphere. We cannot say this is not a wrong decision. We are for the banks to provide loan services for consumption as soon as possible for three reasons:

1. The objective of socialist production is to continually satisfy the daily growing needs of the people in material and cultural life. Production determines consumption and consumption in turn influences production. Production which provides possibilities for consumption is an important source of continually growing consumption. Consumption, on the other hand, provides a market for production and plays a role in promoting and propelling the development of production. Marx said: "Without consumption, there will be no production" ("Selected Works of Marx and Engels" Vol II p 94). Production and circulation links require regulation by bank credit, as does consumption. A blockage in any link will hamper the development of the commodity economy. For over a long time, bank credits only paid undue emphasis on handling savings deposits and grasping production in an isolated way and neglected the consumption link, thus failing to give play to the role of consumption in promoting production. This is a grave lesson to be learned. The consumption loans provided by the banks have vital significance in raising the people's level of consumption, unclogging the channels of commodity circulation and enlarging socialist reproduction.

2. By putting undue emphasis on absorbing savings deposits of urban and rural residents and ignoring consumption loan services, the banks have, to a certain extent, limited the scale of consumption and restricted the consumption level of the people.

Since the 3rd Plenum of the 11th CPC Central Committee, the income of the masses of people has increased substantially and the level of consumption has also been elevated to a certain degree. However, because the monetary income of the masses is transformed into savings deposits, the rate of increase of consumption funds which the people genuinely use in living is far below the range of increase of savings deposits. As a result, commodities in the market are found unmarketable and the channels of circulation are clogged. A strange phenomenon has appeared in many places characterized by "increased deposits, overstocked commodities, large stocks of goods in warehouses, supply exceeding demand, factory production stoppages and people consuming low-grade food and clothing." If loans for consumption are provided by the banks, this lever can be applied to expand commodity sales, promote consumption and stimulate production.

3. Because our country is implementing the policy of distribution according to work and letting some people become rich first, a difference in the degree of affluence between men has been engendered, especially in monetary income, moreover, since each person's family financial situation is different and the number of people to be supported differs, some monetary funds can be set aside unused and transferred into savings deposits, others may not have sufficient money and have to "economize on food and clothing"; even those who have a larger monetary income and a higher level of consumption may find themselves short of funds in buying high-grade commodities or repairing and building houses or for taking care of a marriage or a funeral. This state of imbalance between income and expenses among urban and rural residents has to be solved by the banks through the extension of loans for consumption as a means of adequate regulation.

With regard to how the banks can provide loans for consumption, our opinions are:

1. The traditional concept of consumption must be changed and a new consumption concept that can fully reflect the socialist spiritual and material civilization must be fostered.

2. The banks should set up consumption loans organs to extend loans for consumption. Savings offices and other credits organs of various specialized banks and credit cooperatives can all handle loans for consumption concurrently and may also offer loan service in the savings offices by combining savings and loans operations. People who make plans to purchase high-grade commodities may start savings first and then apply for loans when the savings reach a certain amount, they may also apply for loans first and then repay the loans through special savings accounts.

3. The banks should, step by step, develop consumption loan services consisting of leasing, selling on credit, and payment by installments so that some people with low income can consume in advance; the banks may also issue certain durable consumption and housing bonds and share certificates to turn purchasing power into investment funds ahead of time.

4. The banks may also offer certain consumption loans secured by goods and materials; gold, silver and jewelry may be used as security, durable medium- and high-grade consumer goods and other negotiable securities such as savings deposits receipts, treasury bonds and share certificates may also be used as securities.

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19 July 1985

FINANCE AND BANKING

NEW BANK LOAN REGULATIONS TO CURB INDISCRIMINATE LENDING

Guangzhou GUANGZHOU RIBAO in Chinese 24 Mar 85 p 1

[Article by Zhang Yaoshu [1728 1031 2873] and Pan Qingneng [3382 1987 5174]:
"New Bank Regulations Help Enterprises Manufacturing Consumer Goods"]

[Text] The Guangzhou branch of the Chinese Industrial and Commercial Bank has revealed that it has issued new credit regulations in order to fulfill the spirit of the instruction by the party Central Committee and the State Council to correct the indiscriminate way in which loans have been handed out.

According to the new regulations, the bank will get tough with its debtor enterprises which are not using the borrowed funds properly, demanding that they repay their loans within a fixed period of time. It will stop lending or limit its credit to enterprises which produce or buy shoddy, expensive and unpopular products, are not managed properly and have not been able to turn in a profit for many years. It will not extend any loans to enterprises run by party organs or government departments. At the same time, it will give preference to enterprises in the production of consumer products and support state-run enterprises to turn out more products to keep the markets well supplied with goods and reduce the pressure for price increases. Priority in lending will also be given to state-run trading enterprises, goods and materials departments and relevant production units to help them secure a foothold in the wholesale of important means of production and durable consumer goods which are popular and in short supply.

12581

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FINANCE AND BANKING

REFORMS IN PRICE CONTROL SYSTEM DISCUSSED

Beijing JINGJI RIBAO in Chinese 1 Apr 85 p 4

[Article by Shao Hong [6730 5725]: "Reforms in Price Control System Have Stimulated Production"]

[Text] Advantages and Disadvantages of Centralized Price Control

In the wake of ongoing reform in the economic system, a phenomenon has appeared in the market in recent years; products may be differently priced in different stores. You may buy an article for 11 yuan in Store A and get the same thing for 10 yuan in Store B. There are several reasons for this phenomenon. In violation of public policy, some stores having been jacking up prices arbitrarily. This practice must be strictly corrected. Another important reason is that as the state seeks to invigorate the economy, it has also been reforming the price control system.

Under the old economic system, all prices, including those of means of production and articles of daily use, were subject to state control. Trade departments set uniform prices for key commodities and subsidiary enterprises must follow the planned prices determined by their parent specialized companies. All commodities, large and small, were governed by a set of control regulations and pricing principles and methods. Whichever store one visited in a city, an article would have only one price. This system, which did not make distinctions between products and subjected all and sundry to uniform state pricing control, was conducive to price stability and facilitated the implementation of the national economic plan. Such was the advantage of state setting prices across the board.

We can see that price control departments could not possibly maintain the rationality of all prices, confronted as they are with an expanding array of products, ever-changing productivity and the equally volatile relationship between supply and demand. Many products are "stuck with a price for life," which over time becomes reflective neither of the value of the article nor of the supply-demand relationship. Oftentimes an article is underpriced only to lead to shortages, black market transactions and other irregularities. For instance, coupons for such famous brands of bicycles as Phoenix and Yongjiu are the target of speculators and profiteers. Conversely, articles priced too high have a hard time finding their niche in the market. The only results

are overstocking and waste. Under these circumstances, instead of serving as a medium matching production with consumption, prices become a barrier separating the two. This is the disadvantage of leaving the state to set a uniform price for everything.

A Prosperous Market and Flexible Prices

For an extended period of time in the past, we had this one-sided view that "stabilizing prices" meant freezing prices. Experience proves that freezing prices actually violates the requirements of the law of value. In preventing people from raising depressed prices or lowering the prices of overpriced products, it militates against efforts to regulate production in accordance with social demands and against the production of popular commodities. Given the resultant severe shortages in key agricultural and industrial products, and the need to ensure that the people's basic daily requirements are met, we have no choice but to "couponize" our economic life. Hence the sea of coupons of every description which threatens to drown us today.

As reforms in the economic system become increasingly sophisticated in the wake of the 3d Plenary Session of the 11th party Central Committee, the first moves were also made to reform our price control system. In a break with the monolithic price control system of the past, the state has delegated a certain amount of power over prices to lower units and instituted a number of price systems, including uniform prices set by the state, floating prices, prices determined through consultations between industrial and trading enterprises, prices set by enterprises themselves, negotiated buying and selling prices and country fair trade prices etc. Price reform has diversified the pricing structure. Today, the previously frozen prices of many state-controlled commodities are showing signs of life. The prices of many agricultural products have been readjusted; the prices of chemical fiber products, for instance, have been lowered, while those of cotton textile products have been raised. Some electronic goods have become cheaper but energy products have become more expensive, and so on. As for other more general commodities the pricing of which is in the hands of enterprises or regulated by the market, they have shown even greater flexibility. In most cases, the prices of commodities in short supply have begun to go up while those of commodities in the opposite situation have come down.

By creating a dual system combining centralized controls with decentralized decisionmaking, reforms in the price control system have done much to invigorate the enterprises, promoted the production of commodities geared to market needs and stimulated the market. Take the electric fan, for instance. Thanks to a flexible application of the floating price mechanism, shops have been able to offer a seasonal price which was so attractive that people snapped up the appliance even at the height of winter. Not only did it benefit the consumer, but it also speeded up the cash flow of enterprises, reduced their interest payments and fueled production development.

The Future Direction for Price Control System Reform

As a planned economy based on public ownership, the socialist planned economy must consciously follow and apply the law of value. To do so, China's price control system must undergo further reforms. The prices or fees of key products or services with a bearing on the national economy and the people's livelihood, such as essential industrial and agricultural products, transportation and worker wages, must be regulated through centralized planning to ensure constant rationality. The pricing of the bulk of other commodities and services should be left to localities and enterprises. Through reform, we must set up a pricing system which meets the needs of the socialist commodity economy so that prices will be more indicative of value, more sensitive to changes in the supply-demand relationship and better able to meet the needs of the development of the national economy.

12581

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19 July 1985

FINANCE AND BANKING

REASON FOR SUBSTITUTING CASH FOR GRAIN IN TAXATION EXPLAINED

Nanjing XINHUA RIBAO in Chinese 25 May 85 p 3

[XINHUA reporter's interview with a responsible person of the agricultural finance department of the Ministry of Finance: "Why Is Cash Substituted for Grain in Agricultural Tax?"; date and place of interview not given]

[Text] With the approval of the State Council, beginning this year, the agricultural tax in our country will be changed from imposing grain levies in the main to cash levies instead by converting the grain into cash at an "inverse 3:7 proportion." Recently, a reporter had an interview with the agricultural finance department of the Ministry of Finance. A responsible person of this department answered questions raised by the reporter.

[Question] Why is it necessary to change the agricultural tax from a grain levy to a converted monetary levy?

[Answer] The change from a grain levy to a converted cash levy in the agricultural tax is an important reform of the agricultural tax system in our country. For a long time, the agricultural tax in our country consisted primarily of a grain levy which the peasants used to call "public grain." Since the founding of New China, the state has been in control of the essential amount of grain by imposing a grain levy through an agricultural tax and also by implementing the policy of state monopoly for purchasing grain, thereby playing an important role in ensuring supply and supporting socialist construction. This type of tax in kind by imposing consisting primarily of a grain levy, however, was compatible with the rural self-sufficient and semi-self-sufficient economy. With the development of the commodity economy, its limitations have become increasingly evident. In order to develop specialized commodity production in the rural area and readjust the agricultural structure itself, a change in this method is urgently needed. In so doing, it will help the household economy organize production based on market demand and make it more convenient for peasants to pay their tax.

[Question] Why is it called "converted cash levy in substitute?" Why was the measure adopted?

[Answer] Changing from a tax in kind over to a tax in cash is the trend of the agricultural tax reform. By choosing the form of a converted cash

levy in substitute at the present stage is to impose a levy on the amount of taxable grain by converting it in terms of money. Taking into consideration the uneven development of the rural commodity economy in various localities, a stipulation has been especially set in the course of this reform, that is, a levy in kind may still be carried out in a few areas where conditions are not ready, instead of "seeking uniformity in everything." The advantages of implementing this measure of a converted cash levy in substitute are: 1) Under the principles of the current tax law stipulations, the existing basis of computing the agricultural tax levy will remain unchanged and the contradictions arising from the incompatibility of the tax in kind in relation to the development of rural commodity production are solved to make it simple and easy for implementation. 2) After the state's relaxing the readjustment of prices for agricultural products, various products in general will maintain an adequate parity in relation to grain. Converting the levy in terms of cash in substitute for agricultural tax in a unified manner, based on the price of staple good grain, will make the burden more reasonable for different regions and different crops.

[Question] Why is the conversion of cash in substitute for grain in the agricultural tax levy is fixed at the "inverse 3:7 proportion"?

[Answer] This is in consideration of the fact that the state is abolishing the monopoly for purchasing grain and changing over to contract purchase. Moreover, the price for the grain purchased is computed at the "inversing 3:7 proportion" (that is, 30 percent based on the original centralized purchase price and 70 percent based on the original price for the portion purchased above the set quota) instead of using the method of adding price increments to a base figure. Therefore, in the agricultural tax, the method of converting the levy into cash in substitute of grain based on the "inverse 3:7 proportion" should also be implemented in a unified manner. Now, in purchasing grain from the peasants intended for payment of agricultural tax, the state will pay the price at the "inverse 3:7 proportion"; in paying agricultural tax to the state, the peasants should also convert grain into cash at the same price and the same rate. This is reasonable to both the state and the peasants without adding an actual burden on the peasants. In view of the fact that the income from cash crops is in general comparatively higher and its agricultural tax burden is generally lighter than the grain-producing areas, therefore, it should, like the grain-producing areas, also be subject to agricultural tax in a unified manner based on the "inverse 3:7 proportion" of conversion in levy. From the point of view of policy on the tax burden, this is also reasonable.

[Question] After the new form of levy is adopted in agricultural tax, what areas should be improved in taxation work?

[Answer] After switching over to the converted cash levy in substitute for the agricultural tax, a corresponding improvement should be made in the method of collection. It is obviously inadequate if we still simply stick to tax collection by stationing grain depots (stations) or entrusting grain depots (stations) to take care of the levies. Henceforth, we must

give play to the role of the basic-level organs of political power in the rural areas, set up and perfect the township-level financial organs so that township governments can undertake the task of levying agricultural tax step by step. Financial departments should directly organize the levy if they are in a position to do so. In other words, with regard to peasant households that are under purchase contracts for grain, cotton, oil-bearing crops and other agricultural products, financial departments or township governments may dispatch personnel to the purchasing units to collect tax or they may ask the purchasing units to levy on their behalf.

Levying agricultural tax involved hundreds of millions of peasants; not only is it an important policy issue, but it also involves a great deal of work and burdensome tasks. In the past, this task was fulfilled under the centralized leadership of the CPC committees and governments at all levels and by relying on the efforts of cadres at all levels and the close cooperation of various units concerned. After changing over to the converted cash levy in substitute, we hope the CPC committees and governments at all levels will continue to strengthen leadership over the levy work and do a good job in publicizing and explaining this matter so that the peasants will actively fulfill their duty in paying tax; in the meantime, various departments concerned must continue to coordinate work well and study new situations and solve new problems in a timely manner so as to do a good job in agricultural tax collection and ensure fulfillment of the state tax revenue.

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FINANCE AND BANKING

PRICE SYSTEM REFORMED

Guangzhou GUANGZHOU RIBAO in Chinese 21 Mar 85 p 4

[Article by Sheng Xuan [4164 1357]: "How the Price System Has Been Reformed"]

[Text] To reform the economy, we must reform the price system. How did we go about carrying out this long-term task?

The state began by adopting a cautious and firm policy. As the "Resolutions of the Party Central Committee on Economic Structural Reform" points out, since price reform affects countless households, we should "take a very cautious attitude, formulate a realistic, well-conceived plan, based on production development and the state's financial capability and assuming a gradual increase in the people's real income, and proceed accordingly step by step." In other words, price reform must be appropriate to the level of production development, first and foremost. Second, we must take into consideration the state's financial capability. Third, we must ensure that the people's real income increases gradually. These three overriding considerations have combined with a realistic policy to make sure that the consumer's interests are not harmed.

Second, the "Resolutions" lays down a number of correct principles for price reform. First, in accordance with the requirements of the exchange of equal values and changes in the supply-demand relations, readjust unreasonable price ratios between commodities, raising and lowering prices as each case justifies. These changes offset one another so that on the whole the price index will not be affected significantly. Second, avoid raising the sales prices of industrial consumer products even while we increase the prices of a certain number of minerals and other raw materials. We expect to neutralize the effects of a majority of these increases by making the most of the potentials of enterprises in industrial manufacturing, increasing output, cutting down on costs and economizing. In a small number of cases, the state has reduced the taxes payable by the enterprises in order to help them trim their costs and stave off a price increase. Third, measures taken to correct the traditional depressed selling and buying prices of agricultural and sideline products should be combined with other steps to ensure that "the masses of urban and rural residents will not suffer a net loss in income as a result of price readjustments." At the same time, we should slowly raise the wages of workers as production increases and economic results improve.

Third, price reforms have been taking place against the very favorable backdrop of rising commodity production over the past few years. Price fluctuations are caused by changes in the supply-demand relations. After the party Central Committee decided on the policy to open the country to the world and invigorate the domestic economy, there has developed in cities and villages alike a momentum towards increasing commodity production and commodity exchanges. Commodity production results in plentiful supplies which, in turn, bring about price stability. Take our experience in Guangdong, for instance. Following preliminary price reforms and other changes in the management system in the last few years, the prices of some commodities have dropped below the national average and are actually lower than the pre-reform levels. This is because increased production has made available more commodities, thereby bridging the gap between supply and demand.

Fourth, even while they are reforming the price system, governments at all levels have strengthened price controls, strictly prohibiting random price hikes, either open or in disguise, and severely punishing individuals or units guilty of such practices. At present, there does exist an unhealthy tendency to jack up prices arbitrarily. Both party and government view this very seriously and are cracking down on it.

Our price reform is a systematic, controlled and structural readjustment to make prices more rational. The people's standard of living depends on the growth of production development and rational price readjustments help speed up such a development. If a steep upward trend in price movements occurs temporarily as a result of our effort to remove gross price irrationalities, the government will act accordingly to ensure that the people's standard of living is not affected.

12581

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FINANCE AND BANKING

PROFIT RATE OF RESTAURANTS NOT TO EXCEED 35 PERCENT

Guangzhou GUANGZHOU RIBAO in Chinese 24 Mar 85 p 1

[Article by Lan Liangpan [5663 2733 3382]: "Restaurants Reminded of 35 Percent Ceiling on Profits"]

[Text] The municipal Price Investigation Office recently reiterated a 1983 municipal regulation limiting the gross profit rate of individual catering households to no more than 35 percent.

The flurry of runaway price hikes sometime ago was particularly blatant among restaurants and food stalls run by individual households, often boosting their profit rate to a level far exceeding that permitted by the municipal government. As a result, the consumer suffered. To educate individual catering households to charge reasonable rates in accordance with government regulations, the Price Investigation Office mobilized the masses to act as a watchdog to prevent arbitrary price increases and reiterated a regulation in a government circular issued a few years ago expressing its determination to put an end to arbitrary price and fee increases to ensure the basic stability of commodity prices. The regulation declares, "Individuals and units must operate within the permitted scope of business. They must display their licenses prominently and charge their customers clearly marked prices. The gross profit rate must not exceed 35 percent. All district and neighborhood price investigation groups are hereby authorized to confiscate the illegal earnings of any violator and impose a fine on him."

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FINANCE AND BANKING

RELATIONSHIP BETWEEN SOCIALIST COST, PLANNED COMMODITY ECONOMY

Beijing KUALJI YANJIU [ACCOUNTING RESEARCH] in Chinese No 2, 30 Apr 85
pp 27-33

[Article by Xu Yi [6079 3015]: "Relationship Between Socialist Cost and Planned Commodity Economy"]

[Text] The CPC Central Committee's "Decision on Reform of the Economic Structure" is another important milestone since the start of the new situation for socialist modernization after the 3d Plenum of the 11th CPC Central Committee. While summing up the fresh experience in socialist construction and international experience, the "Decision" has also made a complete judgment on the socialist economic system and clearly stated that socialist economy is a planned commodity economy based on public ownership. Clearly understanding this new theoretical generalization is of great realistic significance in our study of the issue of cost.

As we all know, early in the 19th century, Marx and Engels predicted through their scientific analysis of communism that the development from capitalism to communism had to go through a transitional stage. They also pointed out that since this stage "just came into being from the capitalist society, in various aspects, therefore, in economic, moral and spiritual aspects, it still bears the vestiges of the old society from which it is born."¹ Therefore, in analyzing the necessity of implementing the principle of to each according to his work in the socialist stage, Marx again pointed out that "the producers' rights are in proportion to the labor they provided; equality lies in measuring with the same yardstick--labor."² "Here the equal rights according to principle still remain the bourgeois legal rights although the principle and practice here no longer contradict with each other; however, in commodity exchange, the exchange of things of equal value only exists in the average and does not exist in each and every situation."³ He also explained that "any type of distribution of consumer goods is but the result of the distribution of the production factors

¹ "Selected Works of Marx and Engels" Vol III, p 10.
^{2,3} Ibid., p 11 [Emphasis in original].

themselves. The distribution of production factors, on the other hand, signifies the nature of the form of production itself."⁴ Although here Marx considered that with the development of the social productive forces, social ownership of the means of production could be implemented as a condition, he also pointed out that under the condition when the social productive forces have not yet been greatly elevated, products are still not in great abundance and disparity still exists in labor, thus "what is workable here is the same principle of regulating commodity exchange (referring to the exchange of things of equal value)."⁵

Practice in the 35 years since the founding of New China, especially since the 3d Plenum of the 11th CPC Central Committee, proves that this principle is absolutely correct.

During the early period of the founding of New China, modern industry at that time accounted for merely 30 percent, industry under public ownership amounted to one-third, although private-owned capitalist industry still existed in large numbers, the socialist mode of production had been established. In agriculture, as a result of agrarian reform, the feudal exploiting relationship had been abolished and the collective economy based on small-scale peasant economy had gradually taken shape. At that time, we paid great attention to the role of commodity economy and the law of value. Because the socialist public ownership had been established and the socialist mode of production had become the realistic economic basis of our country, all the economic laws unique to socialism, such as the socialist fundamental economic law, the law of developing our national economy proportionately and in a planned way and the law of distribution according to work had played their role. Thus, the commodity economy at that time had basically cast off the domination by capital and the spontaneous role of the law of value was also "restricted." Thanks to the formidable superstructure led by the proletariat, the state political power backed by the state-owned economy had rapidly overcome the encirclement and blockade of international capital and the counterattacks of the bourgeoisie at home and put the national economy on the socialist course, thereby establishing the new socialist order, promoting the development of the productive forces at high speed and in 1983 smoothly shifting toward the stage of socialist construction and socialist transformation and scoring great success therefrom.

However, with the basic accomplishment of the socialist transformation and the growing scale of economic development in our country, the socialist component of the economy was growing strong day by day, some measures originally adopted to restrict and transform capitalist industry and commerce were no longer suited to the new situation. At the Eighth Party Congress and around the congress in 1956, comrades of the CPC Central Committee, particularly those in charge of economic work at the central level, had

⁴ Ibid., p 13.

⁵ Ibid., p 10.

become aware of this problem and put forth certain measures for improvement. However, due to our party's lack of experience in carrying out socialist construction after all and certain unrealistic fixed ideas about comprehension of socialism for a long time, especially due to the impact of the "left" mistakes in the party's guiding principles after 1957, all kinds of correct measures designed to reinvigorate enterprises and develop the socialist commodity economy were looked upon as "capitalism," as a result, the problem of overcentralization in the economic system remained unsolved for a long time and the economic lever in use also became less effective in regulating economic relations thereby fettering the development of the productive forces and restraining the superiority of the socialist system.

The 3d Plenum of the 11th CPC Central Committee summed up the positive and negative experiences and lessons learned since the founding of New China, corrected the "left" mistakes and, in line with the principle that the relations of production must cope with the demand of the productive forces and that the superstructure must suit the economic base in integrating the fundamental tenets of Marxism with China's actual conditions, first of all put forth bold reforms in agriculture, expanded decisionmaking power in production, and implemented the output-related remuneration system in distribution. The scope of commodity exchange has been relaxed in the field of circulation, thereby advancing the rural commodity economy and greatly promoting rural productive forces. Later, all this was implemented in selected localities in the course of reforming the industrial enterprise system and expanded to the reform of the commercial structure and achieved tremendous results. As a result of this practice, the 3d Plenum of the 12th CPC Central Committee has made a new generalization more complete than before with respect to the socialist economic system and correctly advanced that socialist economy is a planned commodity economy based on public ownership and correspondingly has drawn up programmatic stipulations with respect to various basic policies.

The "Decision" pointed out: "In the reform of the planned system, it is necessary, first of all, to discard the traditional idea of pitting the planned economy against the commodity economy. We should clearly understand that the socialist planned economy is a planned commodity economy based on public ownership, in which the law of value must be consciously followed and applied. The full development of a commodity economy is an indispensable stage in the economic growth of society and a prerequisite for our economic modernization. It is the only way to invigorate our economy and prompt enterprises to raise their efficiency, carry out flexible operations and promptly adapt themselves to complex and changing social demands. This cannot be achieved by relying only on administrative means and mandatory plans. Meanwhile, we must also realize that the extensive growth of a socialist commodity economy may also lead to certain disorder in production, and there have to be guidance, regulation and administrative control through planning. This can be achieved under socialist conditions. Therefore, planned economy by no means excludes the application of the law of value and the growth of commodity economy; they in fact form a unity. It would be wrong to pose one against the other." Here, the "Decision" warns us not to pit a planned economy against a commodity economy but to dialectically

unite them. Our understanding of posing one against another as pointed out in the "Decision" has two meanings. One is to correct the lopsided emphasis on mandatory targets whenever planned economy is mentioned, to the exclusion of the conscious basis and application of the law of value, and making it compatible with the demands of the particular economic laws of socialism so as to achieve the goal of socialist production. The other is to correct the lopsided emphasis on the spontaneous mechanism of the law of value whenever commodity economy is mentioned, to the exclusion of the application of economic levers on the basis of objective economic laws to give play to the subjective initiative in planned guidance. These two tendencies showed the lack of understanding of objective economic law. The former exaggerated the subjective will and neglected the objectivity of economic law; the latter, on the other hand, emphasized the objectivity of economic law to the neglect of the possibility that men can apply and control the law on the basis of the law of cognition. Thus both run counter to dialectical materialism.

Therefore, the "Decision" pointed out: "The extensive growth of a socialist commodity economy may also lead to a certain disorder in production, and there have to be guidance, regulation and administrative control through planning." "Ours is on the whole a planned economy, that is, entirely subject to market regulation." Obviously, under the socialist mode of production, we must draw up a set of principles, policies, systems and plans in line with the objectively existing system of laws, such as the socialist fundamental economic law, the law of development in a planned and proportionate way, the law of distribution according to work and the law of value, and by striking an overall balance in planning and through regulation by economic means and exercising effective control over major issues while allowing flexibility on minor ones. In this way, we will be able to ensure the appropriate proportions between the major economic branches and the general proportionate and coordinated growth of the national economy instead of letting things develop spontaneously and run their course. Therefore, to uphold the four fundamental principles, we must have macro-economic control and a "birdcage" [niaolongzi 7680 4705 1311].

To enhance macro-control, it is necessary to give full play to economic levers. The economic lever is a means of exercising state functions in various formations of society. However, due to differences in the mode of production and economic laws peculiar to various formations of society, the rules and order set by countries with different social systems and the economic lever being applied and the role played by the economic lever are naturally different. A management system includes the establishment of a cost management system and the application of economic levers which cannot be decided by subjective will and should be restrained by the objective economic law playing a role in various processes of production in society. Our study of the economic management system and the economic lever is precisely for setting up socialist economic rules and order, safeguarding, consolidating and developing the socialist mode of production and protecting the immediate and long-term interests of the laboring people. We will lose our bearings if we study reform of the economic structure and the application of the economic lever by deviating from the socialist system,

the socialist mode of production and the socialist economic law, especially the socialist fundamental economic laws. The cause of the mistakes we made in the past lies here.

The principles, policies, systems and plans and the financial and economic management systems drawn up by the party and the state are all objective things translated into the subjective, thus belonging to the realm of ideology. They reflect people's understanding of socialist economic law; they are the rules established on the basis of people's understanding of economic law to guide their action. The economic lever, on the other hand, is a means of realizing the principles, policies, plans and systems and various management systems formulated by the party and the state; in other words, it is a means of applying and controlling economic laws, consciously regulating economic benefits of all quarters and giving play to the role of the superstructure vis-a-vis the economic base. It is also a guarantee for realizing the economic management system and order established by the people. We oppose the viewpoint that economic law is spontaneous in nature and that we can only make use of its "spontaneous mechanism" but cannot consciously use and control it; we also oppose the viewpoint repudiating conscious application and control as administrative means or "utopia." Practice in economic work has shown that correct application of the economic lever has now become the key to managing the economy by economic means and setting economic relations in proper order and greatly developing commodity economy. The question now hinges on whether or not a perfect system of economic levers is shaped into a coordinated complete set in applying various types of economic levers. Economic policies, economic management systems and economic levers constitute an organic entity of the state in exercising its economic functions and are founded on the correct understanding and application of socialist economic law. Therefore, only by properly solving this basic question of understanding with respect to the mutual relations between the economic management system and economic levers can we, within the limit of authority and responsibility in economic management and through regulation of economic benefits in all aspects by means of the economic lever system, make them restrain and supplement each other. Only by so doing can we properly handle the relations between the centralization and decentralization of power, between discipline and freedom and between planning and enthusiasm so as to combine the efforts to strengthen macro-control with the invigoration of the microeconomy and set them in motion by guiding production, exchange, distribution and consumption (including productive-type consumption) and following the social plan (the "cage"), in this way, we can do away with the evils of interference in everything and imposing excessive restrictions so as to rapidly develop a planned commodity economy and steadily raise economic results in society.

The application of economic levers has different purpose, tasks and demands under different modes of production. Under the socialist mode of production, different economic levers in society again have different functions which can only be mutually supplementing, not mutually substituting. Meanwhile, they cannot "concentrate on one thing only" but must coordinate with each other before economic laws can be effectively controlled, economic relations at all levels and in various aspects properly handled, and commodity

production developed. Of the many economic levers, cost is also an important economic lever that should be seriously studied and correctly applied. Adequate application of this economic lever will have an important impact on economic development.

Cost is a category of commodity economy. The value of cost is highly abstract, we can only determine its nature but not its quantity as far as individual enterprises are concerned. It is determined by the amount of labor consumed in the process of production. The transformation of the value of cost becomes the cost price which is computed in terms of money. Cost in essence reflects the relationship between expenses and utility. In his "Outline of Critique of Political Economy" written in 1843, Engels said: "Value represents the relationship between production cost and utility. Value first of all is used to solve the problem as to whether or not certain goods should be produced, that is, the problem as to whether or not the utility of these goods can compensate for the production cost" ("Complete Works of Marx and Engels" Vol I, p 605). In this sense, be it capitalism or socialism, it is necessary to reduce cost and raise results to the maximum. However, the form, the role and the expected goal of economic levers applied under different modes of production are all distinctly different. In a capitalist society, the cost price represents the consumption of constant capital and variable capital of a capitalist, and the aim of an enterprise's cost accounting is to achieve the maximum profit. In capitalist countries, to safeguard the capitalist mode of production and economic order and decide the country's lion's share of enterprise income in order to participate in dividing up the surplus value and engage in further exploitation, governments have also prescribed the scope of cost expenditures such as taxable cost and taxable depreciation rate. However, the country will not interfere in the cost accounting within an enterprise which is a matter left to the capitalist. Under our social conditions, the cost price is composed of consumption of fixed capital and that of circulating capital. The state is the supreme representative of public ownership. To manage the economy and develop the national economy according to plan and in a proportionate way, the state must first of all figure out the scale of C, V, M. In order to standardize the computation of social products and national income, it is necessary to fix the scope of expenditures for C, V so as to ensure accuracy and rationality of M. To this end, it is all the more necessary to formulate a scientific cost management system and a unified cost expenditure scope and criteria for expenses. To cope with the need of developing a planned commodity economy, we should establish a cost management system and cost accounting system of Chinese characteristics by applying and relying upon the law of value and in accordance with commercial principles.

In the past, because we did not recognize the existence of the commodity economy and the position of socialist enterprise held as a relatively independent commodity producer, we failed to understanding sufficiently the position and function of cost in the socialist economy in theory and also did not pay much attention to cost management in practice. We know that the cost is the basis for setting prices and that wages are an important feature of cost; profit and cost are mutually related in growth and decline. Precisely because cost is a comprehensive target, it is bound to have a

series of impacts on cost management when other economic levers are applied, or it will also have an impact on other economic levers when the cost lever is applied. Therefore, how to apply the cost lever and other economic levers such as price, wages, taxation, profit and interest in complete sets and correctly handle various relationships become a new question for study with respect to cost management.

Our field of vision was narrow in studying cost management in the past. Now, cost management has become a complete system comprising cost forecasts, cost planning, cost control, cost policy decisions, cost accounting, cost analysis and cost inspection, and this is a giant step forward. But this way alone still cannot reflect the demands for reform and will still make it very difficult to solve the ever-rising new problems. We must, therefore, provide new features to cost management and supervision.

With regard to the role of cost management in a planned commodity economy, we should establish an integrated macroeconomic, medioeconomic [zhong guan 0022 6034] and microeconomic system. The relationship among the three is that the macroeconomy will determine the medioeconomy and microeconomy and the medioeconomy and microeconomy will restrain the macroeconomy. If, while carrying out national economic planning and organizing the distribution of production, we were to neglect to reduce the cost of social products as a whole and were to fail to earnestly create conditions for reducing cost through comprehensive utilization and overall planning, then we would certainly bring about detrimental factors to departments and enterprises, thereby affecting economic results. Conversely, only when various prefectures, departments and enterprises strive to strengthen cost control, accounting and supervision in the cost management system in departments and enterprises which are established and perfected under macro-guidance can we create conditions for achieving excellent macro-results. Specifically speaking, on the basis of the principle of integrating theory with actual management work, this kind of new cost management and accounting system should include the following four types of costs:

1. Macro-cost. I put forth this proposition at the first theoretical discussion meeting on cost in 1980 but did not arouse sufficient attention. At present we still compute the national income by relying on statistics plus estimates and also by counting heads [pai naodai 2143 5207 5915]. This will not do as there is no way we can compute C, V, M more accurately. We must forsake those unscientific methods and must carry out cost accounting and master the ratio relations between input and output from the macroeconomic point of view of the national economy and make every effort to achieve accuracy, timeliness and completeness. This is the foundation for the state to manage the national economy and the basis of organizing an overall balance and formulating the distribution policy.

2. Product cost. This type of cost accounting using products as the main body serves to formulate planned prices and price policy. The features of the existing product cost accounting are far from perfect. For example, non-operational losses and trial-production costs are not included in cost; again, for example, material benefits and bonuses defrayed from enterprise

retention funds are also not included, and so on and so forth. As for product cost, all expenses including special taxes on burning oil, interest and so forth should all be included in cost, otherwise the basis for shaping and formulating planned prices will be lost. The current practice in product cost accounting has accommodated numerous irrational realistic situations. From the point of view society as a whole, a certain consumption is unavoidable, for example, the assets adjustment debit is of a social nature but it is a consumption and should be computed. However, under the present method of writing off assets after verification, the item is expended. This way will make the cost unreliable. Under capitalist conditions, the capitalists will not be able to recover their capital in this circumstance and they certainly do not like that. Nevertheless, under socialist conditions, if such a waste were to occur without getting any compensation, it would also be impossible to organize social reproduction. Another situation is the unmarketability of products produced. This kind of overstocked unmarketable and substandard products is in essence not recognized by society, but we also include its waste in the cost as a consumption of essential labor in society, compute its profit as profit materialized and include its value in the statistics as value realized. Using these false things as the real things in computing rates and using them as the basis for formulating national economic planning and price policy will inevitably cause mistakes in the national economy. As far as our development of a planned commodity economy is concerned, this is undoubtedly a question requiring a solution.

The general cost in our society is now rising incessantly while the comparable cost of products declines year after year; this situation reflects the contradictions between essences and appearances. Declining results represents the essence while reductions in the comparable cost of products is the appearance. The contradictions between the two explain precisely that the targets for assessing cost still have drawbacks. This is our fault in applying the law of value. Marx said: "As a matter of fact, what the law of value affects is not individual commodities or goods but always the total products of individual special spheres of production in society which are independent of each other as a result of the division of labor. Therefore, not only is the necessary labor-time applied to each commodity, but the total labor-time of society is applied proportionately to commodities of different categories, because conditions remain in the realm of use-value. However, if it is said that the use-value of individual commodities is determined by whether or not those commodities satisfy a certain need, then, the use-value of the total amount of commodities in society will be determined by whether or not this total amount can adequately cope with the need of a specific amount of a certain special product in society and whether or not labor should be distributed to different spheres of production in a proportionate way based on the social need of this specific amount. The social need mentioned here means the use-value of social scale, which is of decisive significance in respect to the portion of the total labor-time of society used respectively in various individual special spheres of production.... It also represents the use of a commodity and a prerequisite for its exchange value" ("Complete Works of Marx and Engels" Vol XXV, P 716).

3. Responsibility cost. This type of cost is computed on the basis of the responsibilities of enterprises toward the state and workers and the responsibilities of teams and groups toward the factories and departments of enterprises. It is the foundation of the economic responsibility system. This is a kind of division between authority and responsibility and a specific way of managing the division of labor and distribution. Here, what we should take into consideration first is the distribution of profits between the state and enterprises on the basis of the division between authority and responsibility. With regard to the scope of cost expenditures prescribed by the state, some expenditures may be included in cost, other expenditures can only be defrayed from the enterprises' profit retention, this is for ensuring the state revenue. This is also a kind of regulation of distribution and a way to break down the basis of accounting and distribution which had made it possible for the enterprises "to eat from the same pot" of government and for the workshops and teams and groups "to eat from the same pot" of enterprises. Theoretically, however, this way runs completely counter to the division of C, V, M and the demands that computation is required for setting prices. But for the sake of establishing the system of responsibility, it is nevertheless rational to define different responsibility costs within enterprises by differentiating different situations. The relations of authority and responsibility between the state and enterprises should be handled according to state stipulations. Enterprises may exercise flexible command of authority and responsibility of enterprises over workshops and workshop over teams and groups. Such being the case, some expenditures, though coming under V in accordance with cost theory, should not be included in cost, on the other hand, by bringing the responsibility cost into the new cost management and accounting system will be conducive to the division of labor, the implementation of the principle of to each according to his work, the arousing of the enthusiasm of enterprises and workers and staff members, and conserving funds and cutting down on waste. The responsibility cost should be integrated with economic accounting by enterprises in the course of implementing the four fundamental principles, in other words, it should be integrated with the entire processes of production, supply and marketing, cost management, and production development, in this way it will play a better role in developing the commodity economy.

4. Policy decision cost. Cost accounting serves enterprises in making policy decisions on production and operations. The financial cost now in force does not play a significant role in policy decisions over enterprise management and operations. This is due to the fact that it is imperfect and unscientific itself, representing either product cost or responsibility cost in their entirety or the cost of computing the national income. Because operational policy decisions serve to guide production and operations, the operational policy decision cost as the core integrates with the macrocost (these two types of cost are the foundation of cost management). Operational policy decision cost specifically emphasizes the application of the value project (or called cost-function analysis) as it can more fully reflect cost's role in influencing policy decisions in enterprise operations and management. Cost policy decisions are an important component of production and operational policy decisions, therefore, policy decision cost should hold an important position in the new cost management system and should truly become the basis of enterprise operational and management policy decision.

The study of cost management reform is just beginning, so we should have correct guiding principles and methodology. In studying any question, we should properly solve the question of guiding principles, and the study of cost is no exception. Otherwise, it will be impossible to put forth feasible measures and may even deviate from the socialist orientation. The following are several immature views concerning guiding principles and orientation in relation to the study of the cost question.

1. Upholding the theory of Marxism and the four fundamental principles. What we are studying now is the question of cost in the planned commodity economy under socialist public ownership, thus, we cannot "turn pale at the mention of commodity economy" as we did in the past and should avoid studying and analyzing questions in a way that deviates from the fundamental theory of Marxism-Leninism and the socialist mode of production. Commodity economy has different natures under different modes of production and the law of value and the law of supply and demand also revolve around the fundamental economic laws of respective societies, therefore, it should not be mixed up with the economic formation and the economic system. Under socialist conditions, cost as an expense of funds, naturally has an inherent relationship with funds, however, socialist funds are not capital nor the expense of funds the same as expense of capital; this is a question of principle. At present, there prevails in society a theory that "funds can propagate themselves"; we do not recommend it. If this theory is accepted, then, the labor force under socialist conditions still remains a commodity and there will be no difference between socialism and capitalism. Actual conditions, in fact, are just the opposite. Because of the establishment of socialist public ownership, the laboring people have become the masters of the means of production thereby excluding the scope of capital from the socialist economic system. On this point, it is necessary to strictly differentiate from capitalism. Of course, there are still numerous theoretical questions that need to be studied here, for example, should wages be included in funds turnover, should wages be computed in cost, and how is cost computed? There are different views with regard to all these. Methods for solving all these questions can be put forth only on the basis of the theory of Marxism-Leninism and the four fundamental principles and based on profound investigation and study. Our country's wage system is irrational at present and cannot reflect the demand of the law of distribution according to work. This is a salient question in cost accounting. Wages should reflect differences, namely, the amount of labor expended, the degree of the laborer's skill and the division of work between mental and manual labor and so forth; all of which should have relevant grades in wages. It goes without saying that the grades should be rational. Some localities and enterprises now have taken advantage of reform and issuing bonuses by indiscriminately giving out gifts and bonuses thereby markedly increasing consumption funds. This has impacted significantly and endangered considerably the socialist planned market and currency circulation, the state plans and cost accounting. Therefore, it is imperative to carry out reform of the wage system.

Recently, some comrades put forward the question of deducting the principal and apportioning the cost [chuben fencheng 7110 2609 0433 2052] thinking

that it is a new cost theory. It is my personal opinion that deducting the principal and apportioning the cost has nothing to do with the cost scope of commodity economy, it is only a question dealing with the method of distribution. Moreover, the cost only computes C which is the product of small commodity production and the self-sufficient economy. Therefore, if the practice of deducting the principal and apportioning the cost is applied in public enterprises in modernized large-scale production, its role should be reexamined. As far as this method itself is concerned, by directly linking wages with the national income of individual enterprises, it will deviate from the essential labor criteria of society and is bound to violate the principle of distribution according to work because the distribution according to work in the socialist stage is measured by the same yardstick--labor--and not by using the income of individual enterprises as a standard of computation. Even on the basis of the principle of a commodity economy, "the exchange of things of equal value only exists in the average and does not exist in each and every situation" ("Complete Works of Marx and Engels" Vol III, p 11). Therefore, it does not hold water theoretically and gets nowhere in practice, this is because even if the same amount of labor is expended in enterprises of the same category, due to differences in technical equipment, resources and the amount of national income engendered among enterprises (price differences for different products due to supply and demand factors) a wide gap between hardship and happiness (not resulting from the quality and volume of labor) which should not have occurred among workers and staff members of different enterprises has resulted and is bound to arouse contradictions within the working class. Of course, the practice of deducting the principal and apportioning the cost is common in units where the work is predominantly done by hand and plays a unique role in mobilizing the enthusiasm of enterprises and workers and staff members. However, this method is self-contradicting in concept as well as in scope, since it is not clear as to what is "principle," and who should "apportion the cost." It may cost the state if these rudimentary things are blindly popularized before they are fully understood.

2. In studying cost, efforts should be concentrated on conceptual summing up and process control. Touching a bookkeeping Marx once pointed out: "Bookkeeping is a means of process control and conceptual summing up...it is more essential to production under public ownership than to capitalist production" ("Capital" Vol II, p 152). The so-called conceptual summing up means to comprehensively analyze and systematically reflect economic activities by means of accounting records and statistical reports in order to acquire complete and accurate data on economic activities--information which through systematic analysis and comparison becomes conceptual summation. So-called process control means to understand the laws, set right and revise policies, formulate new countermeasures, apply different levers, regulate different contradictions and shape policy decisions on the basis of conceptual summing up so as to carry out economic activities as a whole in a planned and purposeful way. This should be the guiding principle in our study of the question of cost reform. In the past, our cost work only devoted attention to conceptual summing up to the neglect of process control, in other words, we were busy with the assembling and distribution of production expenses, which actually amounted to a reflection of funds expended after

the fact and a failure to exercise effective control and management of the process incurring the expenses. This is one of the reasons we have not accomplished much in our cost work even though it has been carried out year after year. To implement the above-mentioned line of thinking, we should concentrate our efforts in two areas: First, we should energetically study and apply the theory on information, the theory on system and the theory on control. In this way, not only can we investigate in the course of development the production and operational activities of the state and enterprises as a whole and grasp the process shaping the value and cost of products but also provide reliable information for making operational policy decisions. What should be explained is that this type of information is different from commercial information in the category of commercial advertisement but information which producers and state leading organs can use as a basis of making policy decisions. Without this kind of information it will be impossible to properly handle the relations between expenditure and utility nor can we handle properly the relations between input and output. Now some people are talking more about the so-called "information revolution" and "age of information," casting aside industrial and agricultural production, which may possibly have lopsidedly exaggerated the so-called role of information. The fundamental tenets of Marxism remind us that the production of material goods is the base of mankind's existence and development and also a condition for the existence of information. Deviating from this condition, information cannot possibly have any effect and may lose its purpose. Second, process control, first of all, the control of the process of social reproduction. In applying modern scientific methods to study the question of cost, one cannot simply proceed from a microeconomic angle but must approach from a macroeconomic point of view and have strategic farsightedness. It is necessary to make the microcosmic, partial and enterprise economic results serve the macrocosm, whole and state economic results. If we do not stick to this basic point, it will be impossible to establish a set of scientific cost management systems conducive to microcosmic invigoration and macrocontrol.

3. The question of reforming cost management and accounting should be analyzed and studied from the high plane of relations of production. Cost is an economic category and a reflection of production relationships in a certain social formation. Socialist cost is a reflection of socialist relations of production. To give play to the lever of costs and give expression of the demand of socialist relations of production, we must develop the socialist relations of production and make them perfect. In other words, the lever of costs should play the role of regulating the relations of production within enterprises under public ownership (for other economic components, its role is to be a yardstick to measure rights and duties). It is also a lever that adapts the relations of production to the character of productive forces. Efforts should be made to seriously analyze and study methods of cost management and forms of economic responsibility system cropping up in enterprises at present so as to search out a form of cost management suited to the socialist relations of production from among the various types of management methods and the diverse, confused and complex economic phenomena.

4. The new cost management system must be conducive to the supervision of the entire production process. With the development of the economic situation, the enterprises are enjoying greater decisionmaking power in operations and their production and operational activities are becoming more and more flexible. This calls for corresponding changes in the way of cost management work, changing from serving the fulfillment of plans to exercising effective control over the process, changing from analysis after the fact and dealing with leftover problems to forecasting in advance and expeditiously adopting measures for improvement, changing from simply reflecting in a negative manner to positively utilizing information feedback, so as to serve policy decisionmaking and the search for a way to reduce cost and raise social economic results.

At present, we have introduced some good methods from abroad in the course of our theoretical study of cost management and in actual work. This is gratifying, but we should not indiscriminate, imitate and copy them by deviating from our national conditions to turn our management into a kind of "Western modality," we must pay attention to summing up our own experience. In absorbing foreign management methods, we must integrate with the socialist realities in our country and take care to digest them before we can play an effective role in establishing a Chinese-type scientific management system.

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FINANCE AND BANKING

REPORT ON JIANGSU'S FINAL ACCOUNTS, BUDGET

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/"Excerpts" of Report on the 1984 Final Provincial Accounts and 1985 Provincial Budget by Jiang Qiwen, director of Jiansu Provincial Finance Department, at Third Session of Sixth Jiansu Provincial People's Congress on 8 May 1985/

/Text/ 1. The 1984 Financial Budget

In 1984, under the leadership of the Jiangsu Provincial CPC Committee, the people of the province as a whole actively carried out reforms in the economic structure by keeping to economic construction as the central task. As a result, Jiangsu achieved new results in economic and social developments. Industrial and agricultural production increased in a sustained way; urban and rural markets flourished; there were new developments in science, education, culture, public health, and physical culture; and the people's living conditions further improved. Jiangsu' financial condition was good. Both its revenues and expenditures greatly increased compared with the previous year. It overfulfilled the 1984 financial budget plan.

According to the 1984 budget approved at the second session of the Sixth Provincial People's Congress, the revenues were 7.7 billion yuan. While the budget plan was being carried out, some local revenues were transferred to the state revenues because the subordinate relationship of some enterprises changed and because of other reasons. As a result, the Ministry of Finance correspondingly readjusted Jiangsu's revenue budget and reduced it by 414.48 million yuan. After readjustment the revenue budget was 7,285.52 million yuan. According to the 1984 final accounts compiled, Jiangsu's revenues were 7,528.81 million yuan. It overfulfilled its readjusted budget plan by 3.3 percent or received 243.19 million yuan more than the budgeted amount. According to comparable requirements, 1984 saw an increase of 610.86 million yuan, or a growth of 8.4 percent, over the previous year. All 11 cities under the jurisdiction of the provincial government overfulfilled the revenues budget plan.

The province's financial expenditures were 3,914.8 million yuan, an increase of 1,165.9 million over the budget. This was mainly because the state financial departments made additional expenditures one after another and local governments at all levels drew on the previous year's cash surplus and made a number of expenditures while the budget plan was being carried out. Financial Expenditures

in 1984 increased by 685.92 million yuan, or 21.2 percent, over the previous year. When we deduct the specified expenditures paid for by using the surplus funds collected for the construction of energy resources and communications projects and by levying fees for eliminating pollution and for water resources, all of which were new revenue items in 1984, 1984 saw an increase of 511.46 million yuan or 15.8 percent over the previous year according to comparable requirements.

The provincial accounts in 1984 showed a favorable net balance of 55.27 million yuan, including the provincial-level cash surplus of 11.12 million yuan and the city and county cash surplus of 44.15 million yuan. The surplus of specified funds was 529.19 million yuan. All this money belonged to the various localities and departments and was allowed to be transferred as cash surplus for spending in the following year according to regulations.

In 1984 Jiangsu successfully promoted the sale of treasury bonds amounting to 220.26 million yuan, overfulfilling the task assigned by the state by 2.1 percent. The province also collected funds for key energy resources and communications construction projects, totaling 460.08 million yuan, which were 128.35 million yuan more than the amount specified by the state. According to regulations, the income exceeding the specified amount belonged entirely to local authorities, while specified funds would be spent on energy resources and communications construction projects.

We fulfilled the 1984 financial budget plan in a better way because we implemented the policy of making reforms, opening to the outside world, and enlivening the economy and because the people throughout the province worked hard. To carry out the financial budget plan, we did the following work:

(1) actively but cautiously making reforms in the financial taxation system. After state enterprises made the first-step reform in paying tax instead of delivering profits to the state, the second-step reform in replacing profits with tax was made according to the state's unified plan beginning in October 1984. This reform correctly handled the relationship of distribution between the state and enterprises. It not only guaranteed the steady growth of the state's revenues, but also further expanded enterprises' power of decision and invigorated enterprises. Thanks to the second-step reform in replacing profits with tax, Jiangsu' 7,645 local state-run enterprises can increase the retention of profits by more than 200 million yuan per annum. The total amount of profits retained by Jiangsu's local state-run enterprises in 1984 exceeded 1.19 billion yuan, which played a very good role in invigorating enterprises and supporting the development of production. Jiangsu adopted a series of flexible measures with regard to taxation for village and town enterprises, grassroots-level supply and marketing cooperatives, and individual economy households. In 1984 tax reduction and exemption amount to more than 200 million yuan. This strongly supported the development of rural commodity economy. Jiangsu also made certain reforms in financial management system, including funds for supporting agriculture, funds for the development of science and technology, and funds for cultural, educational, scientific and public health facilities. As a result, the funds were used with better results, and progress was made in all fields.

(2) Vigorously supporting the development of production and assisting enterprises to raise their economic efficiency. Under the leadership of governments at various levels, all financial and tax departments went all out to support enterprises to develop production, achieve technological progress, and raise economic efficiency by making proper arrangements for them regarding funds, tax policies and financial management. Profit earned by local state industrial enterprises for every 100 yuan investment raised from 17.11 yuan in 1983 to 17.34 yuan; the turnover of enterprise circulating funds was speeded up from 91 to 87 days, saving 330 million yuan in circulating funds; and the volume of deficits incurred by enterprises running in the red decreased by 24.15 million yuan, or 28.7 percent, over the previous year, overfulfilling the mandatory target of 26 percent set by the state for Jiangsu.

(3) Rationally distributing funds to support key construction projects and development of various undertakings. In 1984 we spent 160.68 million yuan from budgetary funds on local energy and transport construction projects and technical transformation of enterprises. The funds, which constituted a 260 percent, or 116.01 million yuan, increase over the previous year, played an active role in easing the strains on energy and transport in the province. In addition to the increased budgetary funds for cultural educational, scientific and public health undertakings, all localities raised 120 million yuan for improving teaching conditions of rural middle and primary schools, thereby promoting the development of education. At present 50 counties in the province have met the requirements for having safe, sufficient and adequate school buildings for middle and primary schools in rural areas; 56 countries have made primary education basically universal; and 47 countries have eliminated illiteracy. Special funds were also appropriated from the provincial finance department to help build science laboratories in 200 rural middle schools. Progress was also made in the undertakings of culture, science, public health, physical culture, radio and TV broadcasting, and family planning. In 1984 budgetary and extrabudgetary investments on urban maintenance and construction increased by 13.5 percent over the previous year. Urban public facilities were further improved and good results were also achieved in landscape gardening, tree planting and preserving and revamping cultural relics in cities.

Fellow deputies: In spite of the excellent situation, we also encountered problems in our course of advance. While carrying out reforms, opening to the outside world, and enlivening the economy, we encountered problems in the financial field, which were caused mainly by our failure to conduct a thorough study and investigation of new problems cropping up under the new situation, adapt the management to the new situation, set up adequate systems, draw clear lines of demarcation in applying a policy, reinforce discipline, and conduct strict supervision. Although problems were discovered, we reacted slowly, hesitated, and failed to take firm and effective measures to promptly collect the funds in full amount or stop wasting funds, thereby draining our limited financial resources and giving rise to new unhealthy practices. We must earnestly draw lessons from these shortcomings and take effective measures to solve the problems.

2. The Draft Financial Budget For 1985

Nineteen eighty-five is the last year of the sixth 5-year plan, and also the 1st year of the restructuring of the economy with the focus on the cities. To consolidate and develop the present excellent situation and ensure sustained and steady growth of the province's economy and smooth progress in its restructuring, we must conscientiously implement the "Decision of the CPC Central Committee on Reform of the Economic Structure" and, with the central task of invigorating enterprises in mind, bring into full play the functions of financial and tax departments to vigorously promote economic development. We must, in particular, make relentless efforts to raise economic efficiency and intensify the supervision of taxation in order to increase our financial revenues. In arranging the budget, we must, on the basis of the principles of making comprehensive plans, doing things within our capability, and maintaining a balance between revenue and expenditure, ensure the funds necessary for reforms of the wage and price systems while continuing to support the development of the undertakings of culture, education, science, and public health, and strictly controlling irrational increase of consumption funds.

In accordance with the arrangements for the economic and social development plan, I now submit the draft financial budget for 1985 as following:

(1) Financial revenues: The financial revenue task assigned by the state for our province in 1985 is 8,464 million yuan. In order to leave some leeway, the budget is arranged, with the consent of the Finance Ministry, within 8,164 million yuan, a target that will surely be achieved. Calculated in terms of comparable factors, this figure represents an increase of 546.67 million yuan, or 7.2 percent, over the previous year.

The task of selling national treasury bonds assigned by the state for our province is 338.7 million yuan. As the issuance of national treasury bonds is an important means of the state to raise construction funds, we must ensure fulfillment of the task by mobilizing the people of the whole province to purchase the treasury bonds. The task of collecting funds for key energy and transport construction projects is 331.73 million yuan, which, being the same as last year, we must strive to overfulfill.

(2) The budgeted financial expenditure is 3,166.26 million yuan (excluding special funds appropriated by the state treasury, and expenditure from local reserve funds), topping the previous year's budgeted figure by 459.25 million yuan, up 17 percent. This budgeted expenditure was projected on the basis of revenues guaranteed by the local authorities, together with refunds from the state treasury on completion of the final accounts.

Regarding arrangements for the 1985 budget, the following points should be expalined: First, the State Council has stipulated that, starting in 1985, the central authorities will reform the system of financial control over the local authorities, and the method of "classifying different types of taxes, verifying remenue and expenditure, and holding local authorities responsible for their own profit and loss" will be used in the next 5 years. Since there have been quite a few variables in the reform of the economic system in the past 2 years, it

has been decided that, in 1985 and 1986, in addition to delivering a portion of financial revenue to the central authorities, the total amount of revenue will be shared, with the province retaining 39 percent of that amount. Reform in the financial system has necessitated corresponding readjustments in the figures of the 1985 budget. This work is currently underway, and the results of readjustments will be reported to the provincial people's congress Standing Committee for the record. Second, reform in the wage and price systems requires more funds. Therefore, this year will be rather tough for the local treasury. All localities and departments should follow the principles of diligence and frugality, make careful calculations, budget strictly and strive to economize on all salvable expenditure. Third, this year, the provincial treasury will continue to appropriate 30 million yuan for the development of village and town enterprises in northern Jiangsu. This money will come from the newly-levied local construction funds.

3. Strive to Fulfill the 1985 Budgets

The present political and economic situation is fine, favorable to fulfilling this year's financial plan. But, we must also realize the many difficulties in the budget. The task is arduous. We must achieve unity in thought, bolster our confidence and fulfill the following work:

(1) Help enterprises improve operations and management, and achieve better economic results. Improving economic results is the fundamental starting point in economic work. It is also the basic approach in solving financial problems. All economic departments and enterprises should give priority to improving economic results, resolutely stop enterprises from prejudicially stressing speed, to the neglect of economic results. Economic results should be boosted, even if it means slower progress. It is necessary to follow the state and provincial regulations in expanding the autonomy of enterprises, giving them due power, and helping them make good use of that power. It is necessary to establish, and perfect, all forms of economic responsibility systems at every level within an enterprise, solve the problem of staff and workers "eating from the same big pot," improve operations and management, tap potential, and improve the enterprise's digestive ability and the ability to cope with contingencies. This will solve the problem of increased spending, resulting from price readjustments. It is necessary to use the limited funds on key projects promising good and fast results, support enterprises in speeding up technical transformation, realize technical progress, energetically develop brandname and quality products, which are readily marketable, satisfy market needs, withdraw currency from circulation, and increase financial revenues. Meanwhile, efforts should be made to actively increase production of export commodities in the priority of trade, industry and agriculture, to earn more foreign exchange revenue. Financial and tax departments at all levels should further follow correct guidelines in vocational work, support production development, and pay attention to economic results. It is necessary to further publicize the legal system; see to it that all departments and enterprises earnestly implement the Accounting Law, and the Provision on Cost Management, promulgated by the state; improve financial management; strengthen economic accounting; increase profits; and reduce deficits.

2. Strictly implement tax policy and strengthen tax collection and administration. Since we entered the second stage of substituting tax payments for profit delivery, our financial revenues have come mostly from taxes. Correct implementation of tax policy is very important for ensuring state financial revenues, and promoting proportional economic development. Currently, localities are overstepping their authority by arbitrarily reducing, or even remitting, taxes. This not only affects the state financial revenues but, what is more important, also hampers the function of tax as a lever in stimulating enterprises to tap their potential, enhance their capacity for development, and compete with others under equal conditions. To enhance the unity and solemnity of the tax laws, we must strictly enforce those laws, levy taxes at specified rates, and reduce, or remit, taxes in accordance with the law. No locality or department is allowed to overstep its authority by adopting regulations contradicting the tax laws, make arbitrary decisions on tax reduction or exemption, or arbitrarily interpret the tax laws. Tax departments at all levels should strictly enforce policies, strengthen tax collection and administration, collect all compulsory payments, and voluntarily grant tax reductions or exemptions where due. All enterprises and self-employed businessmen must pay taxes in conformity with the tax regulations and laws of the state. Governments at all levels must exercise more effective leadership over taxation, strengthen the ranks of tax departments, improve the quality of tax collectors, and support them in collecting taxes and preventing tax evasion in accordance with the law.

3. Continue the reform of the financial system and make it serve economic development. This year, we should pay close attention to implementing the second stage of substituting tax payments for profit delivery and, in accordance with the relevant state regulations, gradually lower the rate of regulatory tax for those large enterprises which are well managed and have made great contributions, but retained too little profit. To strengthen enterprises' vitality, promote the development of production, and stimulate commodity circulation, we shall also carry out appropriate reforms in the financial management of local state-run industrial and commercial enterprises. In the meantime, active efforts should be made to reform the distribution and management systems of operating expenses, gradually introduce a system linking the allocation of funds with achievements in work, and change the practice of distributing funds according to the number of personnel. To improve village and township level governments, and accelerate the development of economic and social undertakings in villages and towns, this year, we shall set up village and township level financial departments across the province. Governments at all levels must pay close attention to this work of great policy importance, which requires the cooperation of various quarters.

4. Strictly control expenditures and trim administrative outlays. This year's local budgets are very tight. On the one hand, we should fulfill the task of turning over revenues to the central authorities, and contribute to balancing the state budget; on the other hand, financial departments at all levels must make appropriate overall arrangements for the newly-added, but indispensable, expenditures. We should primarily guarantee the funds needed for the reform of the wage system of administrative units and institutions, and the increase in allowances for retired workers, while retaining funds to fight natural calamities and for disaster relief. As for other necessary increases in

expenditure, appropriate arrangements must be made according to our financial capability, in order of importance and urgency. Steps should be taken to control an irrational increase in consumption funds. According to the State Council regulations, all government organs, public organizations, enterprises and institutions must cut 20 percent of their purchasing power this year, using last year's actual figures as a base. The regulations also demand that there be a 10 percent cut in budgeted administrative expenses, and that managerial fees in enterprises, and other operating expenses in institutions, be reduced in reference to the specified cuts. We must strengthen the supervision and examination of the use of funds, and use funds efficiently to do more work with less money.

5. Strictly enforce financial discipline and resolutely check new, unhealthy practices. Not long ago, new unhealthy practices, which greatly affected financial revenues, emerged in society. For example, units willfully retained funds which ought to have been delivered to the state, made unjustified additions to regular costs, helped themselves to state property and evaded taxes. Others indiscriminately raised wages and prices, and issued excessive bonuses and allowances in cash or kind. Still others practiced fraud in the name of reform, by turning state revenues over to the collective, and then dividing them among individuals under one excuse or another.

These erroneous practices of benefitting individuals at the expense of the state and the collective have not only dissipated and wasted an enormous amount of state funds, but also corrupted the party's style of work and social values, hampered the smooth progress of the current reforms, and harmed the fundamental interests of the people. The CPC Central Committee, the State Council, the Jiangsu Provincial CPC Committee and the Provincial People's Government have adopted resolute measures to check, and correct, these new, unhealthy practices, and have so far achieved good results. Financial, tax, auditing, banking, industrial and commercial administration departments at all levels must closely cooperate in performing their functions and earnestly strengthen supervision and inspection to resolutely combat unhealthy practices. We must not allow those who, proceeding from the interests of their unit or small group, use all kinds of illegal tricks to benefit individuals, at the expense of the state and the collective, for economic gain. Serious cases must be reported to the authorities concerned for severe punishment. We must not tolerate such unhealthy practices.

Our province's financial situation has been good this year. Financial revenues in the first quarter were 2,057,680,000 yuan, an increase of 198.21 billion yuan, or 10.7 percent, over the corresponding 1984 period. We must continually pay close attention to the work in all fields, and work for the successful fulfillment of the 1985 budget.

CSO: 4006/724

19 July 1985

FINANCE AND BANKING

GUANGMING RIBAO ON COORDINATING CREDIT, PRICES, TAXATION

HK220445 Beijing GUANGMING RIBAO in Chinese 15 Jun 85 p 3

/Article by Tian Jun /3944 6511/: "The Use of Economic Levers Should Be Well-coordinated"/

/Text/ In using economic levers, we must stress mutual connection and coordination, regarding these as an organic entity, paying attention to using them in a comprehensive and well-coordinated manner, and not allowing them to counteract various economic levers, we do not mean to say that they should be used without emphasis on some of them. On the contrary, some must play a more important part than the other. Depending on different credit, price and taxation requirements, the state's macroscopic regulations can be divided into three parts: Maintain an appropriate scale and rational flow of funds by means of distributing credit in order to promote a proportionate and coordinated development of various departments of the national economy; regulate the scale and structure of social demand by means of prices in order to attain a relative balance of supply and demand for social commodities; and reduce or expand the scale of production of some departments or trades by means of compulsory taxation. Each economic lever has its own function. We must use these properly, and not for inappropriate purposes.

In readjusting the production structure, enterprises need guidance based on changes in the price "thermometer." However, if the banking system cannot give them support by granting loans, most enterprises will be unable to do what they want, consequently, the goal of readjusting the production structure will not be attained.

In readjusting the production structure, it is essential that taxation be coordinated. In order to control consumption, for example, it is necessary to set relatively higher prices for products. But, this in turn will often encourage blind production by enterprises. Again, in order to encourage consumption, it is necessary to set relatively lower prices for products; this in turn will affect the production enthusiasm of enterprises. Contradictions of this kind have to be solved because of increasing or reducing taxation.

CSO: 4006/724

FINANCE AND BANKING

SYMPOSIUM DISCUSSES PROBLEMS OF SOCIALIST FINANCE

HK260853 Beijing GUANGMING RIBAO in Chinese 8 Jun 85 p 3

/Article contributed by JINGJI YANJIU Editorial Department: "Discussion on Problems of Socialist Finance"/

/Text/ The participants in the symposium pointed out that since the founding of the PRC, and in particular since the beginning of the reform in our economic structure, our country has made progress in many aspects of the research in our finance theory. The participants summed up the progress achieved in the following areas:

--As we switched from the view that commodity production is "withering away on its own" to the view that upholds the development of planned commodity economy, our understanding of the essence of money in socialism has changed and we admit that as a general equivalent, money is an important regulatory means for both microeconomy and macroeconomy, and is not merely a unit of calculation or a tool for accounting and planning.

--Our ideas on the circulation of money have switched from paying attention to the circulation of cash only to attaching importance to the forms of both cash and bank transferred, and we have begun to pay attention to the mutual relations and transference between cash and bank deposits.

--We have switched from confusing the law governing the circulation of banknotes with the law governing the circulation of money into clearly understanding the opposite content of these two laws. We have come to realize that the total price level of commodities determining the volume of money in circulation is the content of the law that governs the circulation of money, while the content of the law that governs the circulation of banknotes is that the volume of banknotes in circulation determines the total price level of commodities.

--It is no longer the case that we dare not or will not speak about inflation and the expansion of credit, as we dared not and would not for a long time in the past, and we have carried out conscientious research into these problems.

--Concerning the criterion for deciding whether the volume of money in circulation is normal, we no longer base our decision merely on the data gained from previous experience, but carry out new research into new situations.

--Concerning our understanding of the nature and functions of socialist banks, we no longer regard our banks as merely cashiers for our finance, but have begun to regard them as a regulatory mechanism.

--Concerning the socialist banking system, we have broken the traditional pattern which abolished commercial credit, banned "parallel credit," and concentrated all credit in one bank, and we have probed the establishment of a socialist banking system with the people's bank as its center and with various specialized banks as the principal parts, a system that combines various kinds of banking institutions. We have also carried out discussion on opening up a financial market.

--Moreover, we have also scored some achievements in the research into the theory on deposits and interest under socialism.

The participants in the symposium held that as the reform in our economic structure is being carried out in an allround manner, and that structure is thus gradually becoming based on planned commodity economy, finance will display an increasingly great importance, and all the economic theoretical workers should attach importance to the research into this area. The problems that urgently need research are:

1. The problems related to the role of our banks in macroeconomic control. The banks will more and more become a key link in regulating social reproduction. In order to strenghten our banks' function of macroeconomic control, it is necessary to carry out research into how to operate a clear division of labor, power and sources of funds between finance and banks, and thus to make our banks no longer subordinate to finance. At the same time, we should carry out research into the relations between the central bank and the specialized banks and into the conditions for turning our specialized banks into enterprises, and ensure that the central bank will not be forced to become the funds supplying department that freely supplies loans to various local specialized banks, and that the central bank is able to regulate the lending activities of the specialized banks.

2. The problems related to our monetary policy. The aim of our socialist monetary policy must be a dual aim, to stabilize our currency and also to promote our economic development. The key is to find a way to realize this dual aim. A few years ago, some people put forth the thesis that inflation was unavoidable under the conditions in which banknotes were in circulation. In the past year, some people put forth the thesis that the excessive issuance of currency constituted a stimulus to a high growth rate, full employment, and high consumption. Now, most people think that these these are unacceptable and that it is necessary to find a way to implement a monetary policy that will lead to neither inflation nor depression.

3. The problems related to the control of the amount of money in circulation. In order to define a level for the normal circulation of currency, we should concretely observe the various factors in our reform of the economic structure and in the changes to our economic structure that affect circulation of money, and at the same time we should solve the problems related to the methods of estimation and calculation. As for the means of our central bank in regulating

the circulation of money, some people now favor the adoption of the three major means of reserve deposits, discount rate, and operation in the open market. However, our country's banks differ from those in the West, and the mechanism for the application of funds in our banks differs from that in Western banks. This is a factor that we must consider.

CSO: 4006/724

FINANCE AND BANKING

BRIEFS

HISTORY OF BANK OF CHINA---The bank of China is a PRC state-designated specialized bank for dealing with foreign exchange and an important window of China in implementing the policy of opening to the outside world. It undertakes important tasks entrusted by the state in carrying out the policy of opening to the outside world. Tremendous progress has been made in the various operations of the Bank of China since it was changed into an economic entity directly under the State Council in 1979. From the end of 1978 to the end of 1984, the total assets of the Bank of China increased from RMB 38.7 billion yuan to RMB 200.3 billion yuan; the number of domestic organizations increased from 58 to 261, workers and staff rose from 4,000 to 16,000 persons; overseas organizations increased from 184 to 286 and workers and staff jumped from 6,000 to 10,000; the number of agencies at home and abroad had grown to 3,301 head and branch organizations of 1,185 banks spreading over 150 countries and regions in the world. According to the state stipulations, its responsibilities and the scope of operations are: dealing with the state's foreign exchange and handling the state's foreign exchange receipts and expenditures in a unified manner; dealing with all foreign exchange operations and related RMB operations; signing agreements with foreign governments and their central banks as authorized by the state and entrusted by the People's Bank of China and participating in international financial activities. The overseas branches of the Bank of China and various branches of the Bank of China Group in Hong Kong and Macao regions undertake all banking operations permitted by local law and decrees. /Text/ /Shanghai SHIJIE JINGJI DAOBAO /WORLD ECONOMIC HERALD/ in Chinese 6 May 85 p 3/ 12662

CSO: 4006/668

FOREIGN TRADE AND INVESTMENT

FRG-PRC JOINT VENTURE TO DEVELOP INLAND, OCEAN SHIPPING

Duesseldorf WIRTSCHAFTSWOCHE in German 24 May 85 pp 98-100

[Text] Inland shippers and transporters from Duisburg have gone into business with the People's Republic of China. There, an infrastructure for inland and ocean shipping is to be constructed using German know-how.

For Heinrich Stomberg, on the Yangtze Kiang there is not all that much to do: "The river depth is all right over large areas, and major hydraulic-engineering measures are not necessary," observes the head of the Duisburg Rhine-Meuse and Ocean Shipping Office GmbH (RMS). "Here nature has done the bulk of the work," Stomberg says in lauding the Yangtze Kiang as one of the most navigable rivers in the People's Republic of China.

Of course, since not all the waterways in the Middle Kingdom can offer such natural advantages, for the future the RMS, together with the transporting group Haeger & Schmidt GmbH, which is also located in Duisburg, certainly expects good business with the Chinese. The contracts for this were already secured early in May with the founding of the Kiangsi Corporation mbH, the Chinese-German Association for Economic and Technical Cooperation.

By way of this Kiangsi company, an exchange of experiences between the Chinese and Germans is to take place in the domain of inland shipping, river-ocean shipping, hydraulic engineering, and canal construction, as well as port management. The specific planning involves initially the joint building of a river-ocean ship fleet in the province of Kiangsi. Other joint projects are also planned--such as, for example, a shipping line named Sunrise Line between China and the FRG. Because in China there is still much to do in the field of ocean transport and also in terms of improving the entire infrastructure.

Thus, although this gigantic Far-East land has about 5,000 rivers with a total length of 108,000 kilometers, of these only about 11,000 kilometers are navigable at all. In comparison: In the much smaller FRG, about 4,300 kilometers of navigable waterways are being used.

Now the Chinese envisage a change in this situation. By the year 2000 they want to quadruple the present transport volume on Chinese rivers of about 350 million tons per year.

But these plans can hardly be fulfilled with the barges hitherto in use, which in some cases are still made of wood. More modern inland ships would be one way, but river-ocean ships seem to be the better way to go. Because steamers which on the one hand can still travel on rivers but on the other hand are also seaworthy owing to their type of construction and size would be able to utilize the inland harbors simultaneously for imports and exports and would relieve the strain on the harbors in the Yangtze Kiang estuary, which are overburdened in any case.

To the Chinese, the two FRG transport companies seem to be the suitable partners for solving their shipping problems. Because the RMS and the transport group Haeger & Schmidt had deliberately entered upon their entree into the China business, preparing for this already at the end of last year with the joint founding of the China-Trans Corporation for Shipping and Trade mbH. The sole purpose of this company is to work together with the Chinese in almost all feasible shipping, forwarding, and transport operations into and out of the People's Republic of China.

It is unlikely to have been an accident that the choice of the Far-East shipping planners fell on China-Trans. Because the transport company Haeger & Schmidt belongs to the transportation division of the Thyssen Trade Union AG. On the other hand, it is true that the second China-Trans partner of RMS, with its group sales of under half a billion marks, seems small compared to the Thyssen Trade Union, let alone to the Thyssen concern as a whole. But the RMS's specialized know-how in river-ocean shipping stood it in good stead. At least in West Europe, it commands about 80 percent of the shipping traffic that is conducted over rivers and seas without intermediate transshipments.

Moreover, RMS chief Stomberg has extensive experience in building fleets for countries hitherto poorly opened up for traffic. According to his experience, the extent to which everything depends on an improved transportation infrastructure is apparent in all the developing countries. Stomberg himself, who was particularly involved in this as the consul general for Guinea, has already headed various projects in West Africa.

By way of Haeger & Schmidt, which with Hans-Joachim Kaup is furnishing the second managing director in China-Trans with a status equal to that of Stomberg, the company benefits from the international associations and also the financial strength and the know-how of the entire Thyssen concern. Thus, for example, the Thyssen Trade Union already has a bureau in Peking.

However, neither the Thyssen representatives nor the RMS see any direct shipbuilding orders for German shipyards from this China operation. Also the idea, which may have been the dream of many, of purchasing dismantled inland ships cheaply in this country and then reselling them to the Chinese is doomed because of the long transport distances.

What is involved in this cooperative effort is first and foremost a transfer of know-how: Thus the barge carriers and still more so the barge-container carriers developed by Thyssen Industry--which are transport ships

permitting debarkations and deliveries even where there are no developed harbor facilities--are the most well-suited for the building up of fleets in countries with poorly developed harbor infrastructures. But: They would probably have to be built in the Far East.

Nevertheless, orders will be coming into the FRG, such as for ship simulators of the type that has been successfully built in Bremen by Krupp Atlas Elektronik GmbH. It is on such simulators that in the future the people in the Middle Kingdom as well will learn shipping.

Since China-Trans not only is to give technical advice and arrange for ships, facilities, and equipment, but also is undertaking the preshipments and postshipments in the FRG and neighboring European states for the province of Kiangsi, from this new joint venture an economically attractive cooperative effort for both sides can develop. In any case, a beginning has been made.

12114

CSO: 4620/36

FOREIGN TRADE AND INVESTMENT

FRG WOOL IMPORTERS COMPLAIN OF PRICING PRACTICES

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 10 Jun 85 p 13

[Text] In connection with the German-Chinese economic talks this week in Bonn, an issue will also be placed on the table which has been increasingly troubling German businesses for some time now: Compliance with contracts by the People's Republic of China. Although up to now the Chinese have been considered to have abided by contracts and were regarded as exemplary in their payment reliability, German importers are giving reports about growing difficulties in Chinese compliance with contracts.

An example of this is furnished by Medima-Werke Karl Scheurer KG in Maulburg, one of the largest processors of Angora wool in the world, which since the 1970's has been obtaining raw Angora wool from Chinese stocks. China produces 90 percent of the Angora wool in the world. Beginning last year, the Chinese partners suddenly began to no longer adhere to firmly concluded delivery contracts, it is said in an announcement by this company. Because of the price increases for raw Angora wool that had occurred in the meantime, the Chinese suppliers suddenly placed surcharges on contractually fixed prices. Since the company has not been willing so far to adjust the contracts to account for the market price plus extra premiums, the Chinese have stopped deliveries. But at the same time, it is being said, the Chinese side has been offering the goods on the spot market at "excessive prices" and in this way is compelling the company to meet its requirements in that market at a greater cost than what was agreed on. Also other Angora processors have been poorly supplied, Medima maintains.

The complaint of the textile company tallies with the experiences of the Eastern Committee of the German Economy, upon which there was a report in February at the meeting of the mixed German-Chinese Committee. There as well, complaints were heard about Chinese attempts to implement price increases ex post facto. Within the area of activity of Machimpex, deliveries have been delayed. In the chemical industry the criticism has been made that China is insisting on a full acceptance of contracted quantities, but on the other hand is making sales in the region covered by the contracts by way of third parties and at lower prices in some cases. The companies complained that for the most part the Chinese side is not giving its attention to such difficulties, and that an attitude of partnership seems to be lacking.

The causes of this changed attitude on the part of the Chinese can be found in China's reform policy and in the decentralization of economic decisions associated with this. There is the additional fact that as a rule the Chinese producers do not themselves engage in exporting, but only by way of intermediate State trading companies. As is being said in China itself, for Chinese enterprises it is frequently more attractive to sell their goods to other buyers and in this way to obtain a larger profit for the business.

As the German company describes it, with Medima the situation is that the Angora peasants have now been able to sell not only to the State as the buyer, as was the case hitherto, but also to private traders. It is said that this has to do in part with Chinese from Hong Kong who have been changing "illicit" money and thus have been able to buy the wool from the peasants at higher prices. The State foreign-trading firms are now no longer complying with their contracts despite an increase in production of Angora wool. But claims for damages must be filed in China itself.

12114

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19 July 1985

TRANSPORTATION

CONSTRUCTION OF SHENYANG-DALIAN EXPRESSWAY DECIDED

Shenyang LIAONING JINGJI BAO in Chinese 13 Feb 85 p 1

[Article by Wei Runsheng [7614 3307 3932], Li Ye [2621 8518] and Han Bin [7281 2430]: "Liaoning Province Decides To Speed Up Construction of Shenyang-Dalian Expressway, Total Distance of Highway Measures 388 Kilometers, It Will Be China's Longest Expressway Upon Completion"]

[Text] The Shenyang-Dalian grade one highway under renovation and expansion in our province will be constructed into an expressway beginning this year. The construction of the Shenyang-Dalian expressway is in line with the needs of the overall rural and urban economic reform in our province and also the needs of developing and opening the Liaonan economic zone with Dalian as the "forward position" and Shenyang as the "hinterland." This is an exciting happy news announced by vice governor Li Guixian [2621 6311 7639] at a recent provincial highway work conference.

The Shenyang-Dalian expressway measures 388 km in length, with the exception of a total of 16 km of grade one highway in the starting and terminal sections in the outskirts of Shenyang and Dalian cities, the remaining 372 km are expressway, the road surface is 26 meters wide, it is a high grade road surface paved with asphalt and concrete and the speed limit is between 80 to 120 km. It is planned that the entire line will be completed by 1990. This expressway will be China's longest expressway upon completion.

According to a comrade of the general command of the Shenyang-Dalian renovation and expansion project, the initial correct estimate of the total investment in this expressway amounted to 2.02 billion yuan and 300 million yuan will be invested yearly starting this year. National competitive bidding will be invited for this construction project and international competitive bidding will be invited for part of the key project. Upon completion, the Shenyang-Dalian expressway will be able to undertake the total freight volume of the double-track railroad currently operating between Shenyang and Dalian and the operating time will be shortened by half that of the original Shenyang-Dalian highway. The freight transportation cost will also be reduced by 40 percent.

The completion of the all-exclusive Shenyang-Dalian expressway will play a vital role in invigorating Liaoning, serving the whole country and moving toward the world standard.

12662

CSO: 4006/674

TRANSPORTATION

BRIEFS

LIAONING CARGO SHIP PURCHASE--The Liaoning provincial government recently decided: to develop the province's shipping enterprise, cope with the needs of foreign trade transportation and coastal transportation and organize the provincial shipping fleet as soon as possible, the province has decided to import 10 cargo ships this year totaling 46,000 tons. Out of which, the Yingkou shipping bureau will import two 3,000 ton-class cargo ships; Jinzhou, three 3,000 ton-class cargo ships; Dandong, one 5,000 ton-class cargo ship and two 3,000 ton-class cargo ships; and Dalian, two 10,000 ton-class cargo ships. It is understood that Liaoning province now has 2.4 million tons of foreign trade resources and 3 million tons of supply of goods along the domestic coastal regions, yet the existing 40 cargo ships of a total of 59,000 tons can handle a maximum annual freight volume of 1.4 million tons. This is far from coping with the actual needs as they can handle merely one-fourth of the foreign trade freight volume and one-third of the coastal freight volume. It is estimated that by importing these 10 cargo ships the freight volume can reach from 800,000 to 1 million tons. According to a projection, the loans needed for importing the above mentioned 10 cargo ships can be fully repaid in principal and interests from the earnings within 5 years. [By Zhang Zhenyong [1728 2182 6978]] [Text] [Shenyang LIAONING JINGJI BAO in Chinese 13 Feb 85 p 1] 12662

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